



# **ANALYTICAL STUDY OF SAVINGS AND INVESTMENT PATTERN IN AZAMGARH**

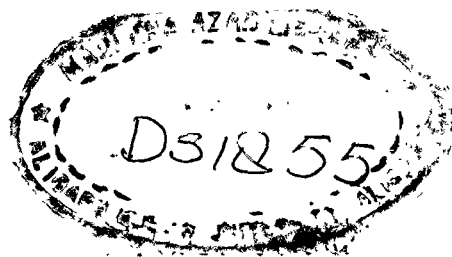
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"Analytical Study of Savings and Investment  
pattern in Azamgarh" is the original work by  
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rules for the award of M.Phil Degree in Commerce.**

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*Ansar Ahmad*  
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CHAPTER - I  
INTRODUCTION



## C H A P T E R - I

### I N T R O D U C T I O N

Social, economic and political systems operate for progress and prosperity. Economic systems efficiency is underlined by addition to national income and its distribution.

There have emerged many hypotheses and models to show the variables of growth. Keynes considered savings and investment the main propellers of the level of employment. He threadbare examined the motives of savings and investments, e.g. for savings are the motives of precautions, transactions and speculation. But, further improvements in the hypothesis, specially to deal with post-war problems of reconstruction of the economy and inflation on the one hand, and the menacing problems of economic transformation in the newly independent nations, on the other hand, suggested the planned investment to precede the voluntary savings. The reason for emphasis on compulsory savings were, in the main, low income and widespread poverty. The target of growth rate of savings and investment were computed for a given size of populations.

The experience with planned savings and investment brought to surface the intractable problems of improving the

efficiency of factor inputs for better results from the use of limited resources. It involves the question of technology, area of location of projects and the sectors for investment. On macro-level, capital intensive techniques were preferred for key industries in the public sector usually located in backward areas. The techniques employed so far have transformed the economy into industrial one, tended to reduce pressure on land and also raised the national income.

The same picture does not emerge from study of small area. Azamgarh district of Eastern Uttar Pradesh has not experienced the fruits of development. There are similar other backward regions in the country. Regional disparity can be grappled with by making area approach. It should work within the parameters of growth, viz., the size of population and its growth over a period of time, savings and rate of increments, and lastly the investments in projects to yield growth at a rate higher than the growth rate of population. In mathematical terms:

$$Gr = F_e (1/Po)$$

The formulation suggests that growth rate is determined by factor efficiency, investment and population growth rate. For instance, if factor efficiency is 6%, investment is Rs.20 lakh and additional population is 10 lakh in period in a

certain area, the growth rate is 12% ( $.06 \times 20/10$ ).

In contrast to other formulations, it is easy to compute the determinants of growth. In the present case, it becomes necessary to estimate the size of income, savings and investment together with institutional set up for factor efficiency.

Estimates of regional income have been made by source of income, viz., agriculture, industries and service. It is our assumption that a region mainly depend on agriculture will certainly be in a backward state, that on industries would be termed a developing region and if dependent on service it should be regarded a developed region.

The hypothesis pertaining to source of income as a guage of the region's economy would be of academic interest to find out its spread effects.

There are two distinct types of analyses: the static and the dynamic economic approaches. It is simple to hold constant the variables of income, viz., investment at a point of time to suggest solutions to existing economic problems. For instance, if the static analysis reveals constant level of income from a given source of income, it may be observed, other things remaining the same, that there is no change in the level of savings and investment at point of equilibrium.

Too facile is the conclusion to shed light on the forces spearheading changes, viz., change in price to boost the value added, technological changes, infrastructural development, the planned investments in the region, unplanned dissavings or savings by individuals and institutions. On top is the development of entrepreneurship in non-traditional areas.

The pattern of savings and investment, income of the region by sectors, its distribution among economic groups would be of special assistance in the evaluation of the complex problem of regional growth.

The demographic study of the region is appropriate to the main objectives of the study. A region stands to grow and prosper within the overall framework of factor endowments, including human resources. It is worth dividing population into working population and the non-working. A large proportion of the working population is, indeed, the sign of regional economic advancement, and vice-versa when the working population is not sizable. A few earning members would share their income with more of the non-working members. An obvious result of such a trend would be perceptible in the pattern of income by economic groups of working and non-working population.

It would, however, dispense with the assumptions usually made for static economic studies, i.e. perfectly elastic supply to a particular production unit and inelastic supply of factors to industry at a given point of point. The assumption does away with increase in the size of working population to avoid complications in the analysis. It would be useful to record periodic changes in the number of workers in different sectors and trace the reasons thereof. Traditional volcations must change under the impact of technology together with uninhibited mobility of workers in response to monetary incentives, viz., wages, etc.

In general, towns receive ever growing number of immigrants from villages in search of employment and dignity of labour which is hardly available in rural areas. The study would reveal its impact on problem of burgeoning unemployment.

The principles of micro-economic applicable to behaviour of private entrepreneur offer the solutions to raising level of employment at lower level of wages. Theoretically, it may be accepted as a sound logic, but hardly acceptable to the State which stands committed to protect working class interests. It seems to be a fair endorsement to this view for a probe into measures acceptable to the State, labour unions and the

employer. As an alternative, the approach to the regional problem of unemployment would call forth additional investments in existing industries for higher marginal productivity of labour.

Nevertheless, the development process has to suit local conditions. Raising resources by private enterprises involves serious issues of return, liquidity and risk. A sole proprietary type of business is still predominant form of business organisation. Trading largely comprises sole proprietorship - 70% of the business establishments are sole traders. But they do not have major share in volume of domestic trade - less than 30% on average. In the national context, big trading centres have larger share in trade handled by Joint Stock Companies. On the contrary, in small towns, e.g., Azamgarh, there is not a single joint stock company, public or private limited. The sole trading and partnerships co-exist there. The entire trade is shared by the sole traders and the partnership firms.

The inherent deficient form of business organisation is not capable of generating substantial resources for diversification, expansion and modernization. The entrepreneurs are traditionally averse to risks in new ventures. They regard

that the traditional business is not risky<sup>k</sup>. It means that they attach less importance to return. Even the young generation of business class is not known to break new grounds in business pattern.

For others, it is a matter of attitude, customs and practice. Big farmers who have surplus funds or savings take pride in traditional forms of investments, including jewellery land and building. Such investments are not socially desirable owing to little expansion in job opportunities.

It is often said that savings hoarded are not economically productive. Savings deposited in Bank accounts become productive. The inference is drawn from the observation of Banking practices pertaining to lending and investment. Other things remaining the same, a bank has the power to add to money supply (or create credit money) through the process of lending and investment. The hoarding constitutes leakage of money from the stream of income flow. It is, therefore, quite necessary to encourage bank savings for investment in projects for regional development.

Regional disparity in economic development can be tackled, according to a group of economists, by not pursuing

the social objective of equality. The disparate incomes of different classes manifest themselves in savings. In other words, the larger is the income flows to upper income group, the more rapid growth of savings will there be. It may be a sound logic under assumed static economy. Actually, acute inequitable distribution of income results in heavy concentration of economic power. It is the singlemost factor responsible for socio-economic exploitation of weaker sections of the society, viz., workers and consumers. No State in a democratic country can hope for a healthy society without putting in shackles the monopoly and restrictive trade practices.

In modern society, rate of interest plays an important role in boosting savings, generally, there is positive relationship between the rate of interest and the savings. The traditional tools of monetary policy fail to create desirable impact on traditional static economy as exists in semi-urban areas. The reasons are <sup>not</sup> far to seek. Till recently, it has been the failure of banks to open branches there to mop up savings. The areas, both the semi-urban and the urban areas, have banks. The community there is becoming growingly aware of the utility of banking services. Bank Deposit growth pattern in urban areas is in contrast with that of the rural areas. In urban areas, the time deposits register higher growth rate than the



demand deposits. The time deposits refer to fixed deposits. A bank can invest the time deposits in long term projects at higher rates. It is the time deposits which have got to be generated for expansion of investment activities. The fixed income earners prefer to deposit their savings on fixed deposits accounts. It is not possible to attain a higher growth rate in time deposits because of the fixed income of the deposit holders. The savings have been eroded by inflation, to a large extent. To avoid erosion of savings, it is essential to neutralise the impact of inflation by putting up the interest rate. However, higher rate of interest on bank deposits, specially the time deposits is accompanied by adjustment in the capital cost for industries; higher dividends for equity holders and higher interest rates on bonds and debentures. To minimize the adverse effects on cost of capital, the monetary authority has to play supportive role in the capital market.

The urban areas are in enviable position; stock exchange, financial institutions, banks, insurance companies and business organisations compete with each other for investment in developed areas. The All India pattern of investment indicate 10% investment in plantation, 10% in agriculture, 20% in manufacturing and trading firms and 60% in government securities.<sup>1</sup> The rural sector got 20% as against 80% to the urban sector.

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1. The Economic Times, New Delhi, January 12, 1990, p.10

Further analysis of the growth of deposits reveal just 30% of the additional deposits originating in semi-urban and rural areas. A comparison between the deposit growth rate and investment in rural areas make it amply clear that the rural areas are not given their due share.

Azamgarh is one of the less developed regions. It would be pertinent to make an inquiry into the causes of slow investment activities. The general causes of backwardness lie in lack of entrepreneurship, capital, material and organisation.

The State has evinced great interest in development of entrepreneurship in rural areas, specially for small enterprises. The financial assistance by way of seed capital is being provided through the lead banks, regional banks and other financial institutions. The great rider of institutional financing is the viability of the project.

The financial institutions take a long range point of view. The project is scrutinised on the basis of national objective it stands to serve on completion, the employment potential, the nature of business, the form of business, the composition of management, the capital and its structure, the demand pattern for the product or the service and, lastly, the rate of return.

It is too much to expect of an entrepreneur in rural area to give a scientific account of the project for which financial assistance or loan is sought, In view of the technical difficulties beyond the competence of average entrepreneurs, it would be worth examining the question of a lending banks' role to probe the main development activities in a region for local entrepreneurs.

The role of District Industries office has to be looked into to find out as to what changes in rules and regulations would be helpful to borrowers in backward region.

The industrial growth in backward regions has been promoted by State. It has undertaken investment in public sector enterprises. The main consideration in public investment was promotion of regional development. Location of public enterprises is not guided by availability of raw materials, capital, skilled labour, power, market and so on. The raw material and other factor inputs have followed establishment of the public enterprises. For instance, coal is transported over long distance to thermal plants in various parts away from the site of coal mines. Likewise, whole township has been developed for the staff and the workers of public enterprises in backward region.

Though the state has developed the economic and the social overheads for industrial activities, there are many examples of the private enterprise spearheading regional development, beside the public sector. In the post-Independence period, Calcutta became a sprawling city in the wake of British trading and industrial activities in the hinter-land of the port. Jamshedpur has become an industrial centre since the establishment of Tata Iron & Steel Co. (TISCO). Bombay, Madras, Kanpur and the other industrial cities have a modest background. Aligarh Lock Industry owes its birth to Elahi Bux, a skilled worker who had taken to the lock manufacturing.

These are illustrative of entrepreneurs blazing trails of achievements. Everywhere the pace of development is attuned to industries.

The State policy for regional development places considerable reliance on small sectors. The problems confronting small entrepreneurs are wide ranging; land for factory premises, adequate power, tools and implements, trained and skilled workers, sufficient supply of raw materials, credit for fixed investment and working capital as well as for financing the marketing operations, etc.

State incurs special responsibility for accelerating capital formation in backward regions. To fulfil the

objective of regional development, it would be fruitful, in the first instance, to identify backward districts or parts thereof. Generally, backwardness is traceable to, among other things, the infrastructural deficiency or its conspicuous absence. Special programmes should be incorporated in five year plan's allocations for development of both the social and economic overheads, viz., the development of transportation and communication system, power system, development of banking, insurance and warehousing and marketing institutions. Investment in hospitals, schools, colleges and training institutes would meet the requirement of industries for trained and skilled labour force.

There are some who hold the opinion to make allocation of public money on the basis of objective norms. The question as to what projects should be given priority for area development is of considerable importance. It is related to rationing the limited funds among competing projects for maximum benefits. In private sector, projects are accepted or rejected on the basis of return. There is no such need as to accept or reject the project on the ground of monetary returns. The objective is the social benefits to be derived from projects, hence the social cost - benefit or social capital/input ratios can be fairly recommended as the basis of approval or rejection of the project.

The argument, as a corollary, can be extended to the term of social cost and social benefits. In private sector, the cost is measured in terms of money involved in the execution of a project and income in terms of cash flow; the ratio between the two is compared with predetermined standard profitability. The parameters of private investment do not hold any longer in the case of public investment for regional development. The cost which state may bear in financing a project by way of funds can be expressed in monetary terms and compared with benefits from its impact on area or regional income. It is not in conformity with wider objective of accelerating capital formation until and unless the private investment see a silver lining in the horizon of business opportunities. In other words, there should be accrual of additional purchasing power for support to production in the private sector at a higher level.

Private capital can be stimulated by means of tax concessions, loans on easy terms, public expenditure on development of institutes ancillary to business, viz., banks, insurance, warehouses, transport and communication system, power and water supply works, etc. Huge capital is required to develop social and economic overheads. It is worth considering to undertake projects in the joint sector due to inadequate availability of private capital.

Banks have pivotal role to play in accelerating capital formation. In 1955, SBI was assigned the task of mobilising resources for economic development. Its objectives, according to the Act legislating the SBI's incorporation, are composed of special assistance for development of small entrepreneurship, promotion of cooperatives for credit to farmers, financing of warehousing scheme in rural sector and that of construction of low cost houses. The SBI approached its objectives through an integrated plan; it undertook opening of branches in unbanked area, introduced attractive schemes for the growth of deposits and for a purposive change in the composition of its deposits. In the year of its inception (1955), demand deposits were the dominant part of SBI's deposits. It aimed at reversing the share of demand and time deposits. Its endeavours have paid the dividend; time deposits are the major component of SBI's deposits.

Nationalised banks have been likewise, charged with the responsibility of cultivating banking habits among the rural masses. It would facilitate the banks to provide credit to agricultural activities and the loans to fulfil capital requirements of small entrepreneurs.

Nevertheless, sight should not be lost of the fact that rural sector has the characteristics of primary economy;

agriculture is the main occupation in plain areas, tribes in hill areas live on primary industry, and in deserts, people live by traditional arts and skills. Modernisation should not be pursued too <sup>far</sup> lest the region undergoes the horror of loss of jobs for millions and immigration of countless number of people from the urban areas to take up jobs in modern factories.

There are two way outs; in the first instance, vocational courses may be introduced at +2 level for students to join factories after completion of the course. Alternatively, the artisans should be trained on job in new techniques of production.

As a matter of cultural heritage, the State has been unsparing in its efforts to preserve the traditional art. The artisans are being helped financially to commercialise the products. State agencies are engaged in promoting demand both in the domestic and foreign markets.

The show-rooms are constructed at tourist centres because the products made by artisans of traditional design have been quite popular among the foreign tourists, specially from the West Europe and USA.



Further scope is held out by agro-based industries in the small sector. There are a few capital intensive agro-industries specially those engaged in food processing. The industries in the small sector would thrive with agriculture to support them. The fruit trees should be planted in less fertile areas for supplies of fruits to industries. Oil seeds can be obtained by enlarging cultivation extensively for mass production of oil, viz., ground nut oil, mustard oil, soyabean for vegetable oil. State should take initiative by directing research institutes to place the high yielding seeds in the hands of farmers. Block officers must train the farmers and impart necessary know-how in the use of improved seeds, fertilizers and in the techniques of handling the implements.

It would be rewarding to place restrictions on the expansion of large and medium units. Emphasis should be given to private enterprise undertaking industrial activities in the small sector, viz., agro-industries, handlooms, farm implement forging activities, small units of bakeries, confectionaries, poultries fish farming etc.

The growth of small industries would gain more impetus provided care is taken of finance, inputs, marketing and training of labour. It may be out of question locally to

find savings for financing capital expenditure or to fulfil the working capital requirements. The experience bears it out that a few big landlords or the traders who are also traditional money lenders are holding substantial part of savings in villages. The pattern of savings should not be different in small towns, with population from 10,000 to 50,000. The assumption underlying the existing pattern of savings is that agriculture is the dominant sector of the economy. There the 10 per cent are the big landlords in the farming class, holding 60% of the agricultural land. In other words, substantial part of farm income is hogged by big landlords, the money lender traders. The middle class is non-existent. It means that the big landlords and the traders are the savers. If the aim is the social equity or the equitable distribution of income, together with priority to development of rural entrepreneurship among small and marginal farmers, artisans and landless workers, would have to be recklessly pursued. Provision of capital, allotment of land for industrial units, supply of power and marketing net work have to be developed by the State.

There are certain occupations which are looked down upon in the rural society, viz., tailoring, dyeing and cleaning, shoe making, iron smithing, etc. The people engaged in those activities are largely poor. They do not enjoy as much of

social status as enjoyed by high castes. Apart from the respect for land, the society is strewn and strife torn because of class stratification. The castes still live by their values, ethos, customs and traditions. It provides also unassailable base for hierarchial social, economic and political system. The wind of change hardly crosses the century old custom barriers. That is why planning for the past four decades has left little imprint in rural areas. The task of new class of entrepreneurial development is therefore formidable.

The small town in urban areas and the rural sectors are characterised by the agriculture sectors predominances. The terms of trade are not favourable to the farmer. The agriculture produces do not fetch as high value in market as the manufacture product. In other words the farmers have to sell low the agriculture producer. It accounts for low purchasing power low savings and low investments. If we analyse the economy on the basis of share of the main economic activities viz., agriculture industry, services, it becomes evident that more than 50% income is generate by the agriculture and 40% by others. This classification of income proves that the rural sectors<sup>are</sup> backward.

Though the state has taken measures for removing the disparity between the urban the rural sector, it has not produced the desirable result one of the objective of the licencing policy has been the dispersal of industry to backward rural areas. The licencing policy has not worked to fulfil this objective. The big business houses establishing in cities were sanctioned large number of licences. The new entrepreneurs desires of establishing the new units in the backward region did not succeed in obtaining a licence. Further relaxation of provision of MRTP Act, raising the capital limit in case of big companies, liberalisation of trade policy for 100%<sup>export</sup> oriented unit restricted the scope of development of small unit of the villages. They have been lapses directors general for technical development in certifying capacity for loan from financial institution. It seems that there lurked fears in the mind DGTD is issuing certificate to new entrepreneurs in new areas. It was wrong to assume that the proven entrepreneurs must be given priority over the new entrepreneurs in backward areas. The prevalent policy of the DGTD fall outside the national object of encouragement to small unit in backward rural areas as result of all these sector guage there is little development of manufacturing sector in rural areas.

The regional development is the special responsibility of the State Government; it should look to the need of backward regions specially for the infrastructure viz., development of transport and communication system, water supply both for domestic and industrial purposes, training of workers in new skills, supply of raw materials and other scarce inputs, development of power system, warehouses and storage capacity. This industrial base, together with service sector, would secure to the people in backward areas higher income more savings for investment and gainful employment.

The hypothesis encompasses analysis of savings investment and employment on regional basis in relation to the main economic sector viz., agriculture, manufacturing industries and the service sector. A region is categorised into developed, developing, and backward regions on the basis of the origin of income in agriculture, manufacturing and service sectors; it is a developed region if income above 60% is contributed by manufacturing and service sector; it is a developing region if the income is contributed by manufacturing and service sector from 30% to less than 60% from manufacturing and service sector it is a backward region.

One of the main objectives of the plan is the removal of regional backwardness by stimulating investment in small industries.

The objective has been far fetched due to lukeworm support by the Centre and the State to the scheme for development of infrastructure and institutional framework. The development of backward region would secure to the people in rural areas higher income, savings and investment for better job opportunities. It would also reduce pressure on land and check migration to cities in search a job. The idea of factor endowments for comparative cost advantage in the location of industries has to be dispersed because if favour the developed region alone the centralization of industries in regions more favourable endeavored for export of the manufacture to backward region is also untenable because it sieze to perpetual regional disparities. The analysis of regional development in terms of income, <sup>savings</sup> investment and employment will provide and inside into the factors responsible for existing economic structure and the associated problems.

#### Plan of Work:

The dessertation is divided into five chapters. The first chapter introduces the formulations of economic problems for analysis at micro-level. The second chapter deals with the size and pattern of population, its composition, occupational distribution and the social millieu. Population and its quality are

the significant determinants of regional development; backward region are characterised by higher growth rate than that of the regional income. The level of education and technical skill of course improve the productivity of labour and ensures effective utilisation of limited resources and their optimum development.

The third chapter is devoted to the income pattern of Azamgarh to verify the conceptual framework that a developed region is characterised by greater capital intensity and manufacturing higher capital and productivity. The region will not witness a strong industry base if agriculture sector is predominant with substitutional share in the regional income the underline assumption is that the capital and labour productivity in agriculture sector is less than that in the industrial and the service sector. This chapter would also analyse the natural endeavourance of Azamgarh district and itself sufficiency are dependence on internal sources (outside the region) to determine the gross regional income the taxes - revenue of the local self government, State government, the Central agencies in Azamgarh will be added and also the remittance from abroad by residence of Azamgarh working abroad through banking system.

The fourth chapter examines the pattern of savings and investment in Azamgarh to verify the phenomenon of inverse relation between consumption and income. It will also reveal income elasticity of consumption. This would be measured with the help of time-series in terms of moving average.

The last chapter summarises the main finding of the study and indicates the relevance of the study to wider regions.

#### Methodology:

The study implies: the economic method and quantitative techniques for scientific conclusion the moving averages of income savings the method of computing propensity to consume and save, the capital intensive and productivity of capital and labour have been used to build up the body of scientific knowledge on Azamgarh. Time series have been constructed to indicate the change in various parameters of study over time.

The primary data have been collected because of the dearth of reliable secondary sources. The central statistical organisations classification of the inputs and structure of the economy has been followed. In estimating the income consumption and savings in Azamgarh, the R.B.I. classification has been



adopted. The impact of investment on the basis of criteria used by the central statistical organisation.

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C H A P T E R - II  
SIZE AND PATTERN OF POPULATION  
OF AZAMGARH

## C H A P T E R - II

### SIZE AND PATTERN OF POPULATION OF AZAMGARH

The economic development plans identify population as a significant factor in economic development of region. The human welfare is the focal point of development plan the income is distributed over population and the level of living standard are simultaneously affected by the population growth the p~~atter~~ of population and its quality therefore an attempt has been made to examine the size and pattern of population of Azamgarh.

The chapter is divided into three sections. The first section would present at a glance the size of the population of the district as a whole since 1911 for comparison with that of Azamgarh city. In this section the population is divided into male and female components of the population. This classification is undertaken to determine the size of non-working population. It is presumed that females are the managers of the houses and do not usually participate in economic activities. The assumption will be put to scrutiny with the help of the available data showing classification of working population into males and females in this section the population is also classified into the age groups. It would reveal as to

what the size of working population is vis-a-vis the size of family they have to support. It is usually seen that the size of the family exerts pressure on main bread earners to work for higher wages or to lead the children of tender ages and old with fragile physique to earn their own bread. Women workers also belong to this section of the community.

The second section of this chapter sheds light on the number of emigrant from the rural areas and other places into Azamgarh in search of job-this will be taken as an indicator of Azamgarh being more developed than the places of origin of emigrants. Likewise the section will present the study about the number of migrants from Azamgarh to other places. It will be taken as a standard to assess the type of job available to workers of different types of skills.

The section three will analyse the institutional framework in public sector as well as in private sector, for improvement in the quality of population. It will deal with the educational institution, the hospital, the dispensaries, vocational institute, sanitation condition, the drinking water supply system, the consumption of electricity power, the metal roads, the motor-vehicles and other types of convenience in this section distribution of population by occupational, by

sector, will be undertaken, this will reveal observation of population in each of the sector.

The pattern of population in Azamgarh city is shown as Table No. I (one) for a decades, from 1901 to 1981. In the post-Independence era the distribution of population has been effected by the capability of the service sector to absorb additional population. The presence of services and public utility to fulfill the basic human needs were not adequate in the town of the post independence period the state was more concerned about the British interest. It did not make provision for fund to develop the means of transportation and communication are to encourage private industry in the region. The policies were not favour on the concept and the principle of individual freedom and liberty. The institution of local self government (Municipalities) or Peoples Council were not encourage by the State. In other words people were not involved in the development process. Ignorance and illiteracy was widespread among the masses. The size of dependancy (family) was very large. As a result the people were unable to take-care of the health and balance of the diet.

TABLE No. IPOPULATION OF AZAMGARH BY SEX AND GROWTH RATE

Year	Total	M	F	Total %	M %	F %
1901	20719	10307	10412	-	-	-
1911	12814	6407	6407	-38.15	-37.84	-51.82
1921	16267	8093	8174	26.95	26.31	27.58
1931	18046	8548	9498	10.05	5.62	16.19
1941	26738	13369	13369	48.16	56.39	40.75
1951	29562	14707	14855	10.56	10.10	11.12
1961	36278	18139	18139	22.72	23.34	22.12
1971	45484	22628	22856	25.37	24.75	26.10
1981	74708	39166	37542	64.25	62.25	64.25

SOURCE: Information obtain by the research scholar from census and D.S.O. of Azamgarh.

A glance of the Table No. I reveals that the population of Azamgarh was 20719, comprising more women than men (10412 women as against 10307). The population declined to 12814 in 1911 (or by 38.15%). The reasons for steep decline in

population are both social and economic. The social factors include the absence of social infrastructure for quantitative improvement of life i.e. that is health-services, notorious food, drinking water seaways system, recreational places, housing facilities electrification, etc. the economic factors refer to loss of job following the extension of traditional industries, general scarcity of food supplies due to drought and famine low purchasing power and in repetable distribution of income and wealth. The population in 1911 the preceding years took to migration from Azamgarh to big cities in search of job. Substantial number of workers left for foreign lands, viz., Burma, Rangoon, Singapore and other afro-asian countries.

However, the decade ending 1921 witnessed reversal in the pattern of population. The population increased 16 to 67. It constitute increase in population by 26.31% for the decade but the population in 1921 was still less than in 1901. In other words the landless workers and those dependant on service sector continued to migrate to other places in India and abroad unabated. The census of population for 1921 again reflects dominant of females over males (8174 females as compared with 8093 males). If the population is distributed family-wise, it comes to 1200 families on average. The average size of the

family consisted of 16 members approximately the estimate of average size of the family seems to be realistic because of the traditional joint family system.

In 1931 the population of the town further increased to 18046 or by 10.95% during the decade. However, it still remain less than the population for 1901. Reasons for slow growth of population were lack encouragement to the local economic development, absence of State agencies to economic activity in the region and absence of institution to impart new skills and training in new vocation to landless workers, artisans and craftman to set up there productive units. For these reasons there was heavy migration of population from Azamgarh to industrial town and centre-wise Calcutta, Bombay, Delhi etc.

The population in 1941, for the first time in four decade exceeded that of 1901 (26738). The rate of growth was 48.16% for the decade, It mass a departure in terms of acceleration in the growth rate of population from the once obtain during the previous decades. The ploughable reason for steep increase in the population growth a related to the great depression of 1930 thirties. The economic activity in big cities, industrial centres and trading places sagged as a result of depression. The workers loss their jobs because of lockouts



and retrenchment the state did not provide protection to workers and industries by way of special provision of funds to create new jobs, to finance new project or to provide subsidiaries to farmers and manufacturers. The workers were put to great hardships. Finding themselves in miserable conditions, the people began to return Azamgarh. It added to the size of population substantially, 1941 was characterised by equal distribution of population among males and females (The ratio is being one is to one 1:1). However the State had not initiated any major for reducing the dependency. The women were not encouraged to participate in economic activities. Hence the population was deprived of basic needs. There was wide disparity between various social groups with different amount of income in terms of the availability of social services. The feudal class, and the business man had the means of to get their children educated and effort a comfortable life. The masses were perpetuated were steeped in to misery and poverty.

In post Independent era the census population was conducted in 1951. The population increased 29562, comprising 14855 females and 14707 males. During the decade 1941 to 1951, female population increased by 11.12% and that of males by 10.10%. The average increased in population was of the order

of 10.56%. The growth rate was less than those of 1921 to 1941. The growth rate for 1911 was negative, and exception to the normal trend. The steep decline in growth rate in 1951 is accountable to social and economic factor. It also includes migration of population to the new industrial and trade centres, impact of the partition of the country 1947 on the size of population and new opportunities of employment training and vocation outside of Azamgarh. In force of independance, there was not any perceptible change in the provision of social services, public utilities or allocation of funds for the development of backward regions. However, the national government has formulated the first plan to give a big thrust to the economic development. The first plan opened up opportunities of the employment at the sides of projects. It attracted workers from the interior, mainly from the undeveloped region. It explains the low rate of growth of population in Azamgarh in 1951.

In 1961 the population of Azamgarh was 36278. It increased by 22.72%, faster than that in 1951. The female population increase to 18139 (the ratio of male and female is to one is to one 1:1). The growth rate of male population was higher than that of female population, 23.34% for male, 22.12% for

female. In 1961 characterised by higher growth rate of population than that of 1981 the reason for the larger increase in population of Azamgarh were the establishment of new State agencies at district headquarters, the expanded function of municipalities to undertake the responsibility for the provision of social economic infrastructure at the local level, incentives to entrepreneurs and provision of concessional loans to farmers for the development of business units and modernisation of agriculture. The net result of all these efforts was an environment a favourable to employment. The population from nearby rural areas poured into Azamgarh. It is still heartening to note that growth rate of population in 1961 was less than All India average viz,, 4% per annum. However, the trained and highly skilled workers and those highly educated took to migration to other places for better employment. It accounts for the average growth rate of population in Azamgarh falling below the All India average.

In 1971 the population of Azamgarh is increased to 45484, comprising 22856 females and 22628 males. In this year again females population exceeded that of males. It is indicative of large dependency on earning male members of a family. It is true that all the preceding plans had provided encouragement to women to participate in the process of economic develop-

ment. The opportunities of education, training, incentives to joint vocation of their choice and develop a suitable career was provided in the plan. The objectives of these majors was to remove the disparity in income of various economic group. Income of both the couples was expected to raise the living standard of the people. The municipalities and other regional agencies were given more powers to raise the funds for expansion of social services and public utilities. It comprises the loans from financial institution, overdraft facilities, revenue from octroy, house taxes and liberal financial assistance from the State for the establishment and running of the schools, hospitals, dispensaries and provision of drinking water, construction of sewages system etc. It improved the quality of life to some extent but still unemployment situation remained graved, both for skilled and unskilled workers, hence a substantial portion of working population searched for job outside Azamgarh. The population growth rate in 1971 was 25.37% as compared with 22.72% in 1961. The females population increased faster than that of male population (26.10% for female and 24.75 for male). Azamgarh had the growth rate of population less than the All India average (4% per annum approximately).

In 1981 the population of Azamgarh was 74708. It is characterised by substantial increase in the population. In 8 decade since 1901, the population has almost quadruppled. It increased by 64.25% over that of 1971. It is the highest growth of population since 1901. The reasons are the new opportunity of employment in the town, fully developed institution for higher education, training for acquiring new skills. The financial institution in the town itself extended the landing and investment activities. The new institution of framework involved wider participation of the people in the process of economic development. The upshot of the interaction between State and individuals was the growth of a number of development centres. It served as deterrent to large migration of people to other areas. The population of male and female increased disprate rates viz, 62.25% for male and 64.25% for female. The growth rate of population in 1981 is founded higher than that of All India average viz, 25.5% per annum. It substantiate the assumption that the size of the family in the low income and lower middle income group is large. The still reel under the weight of large dependence. The benefits of planed development in Azamgarh have not been commensurate with the increasing burden of the dependence.

The distribution of population by age group into sharp focus the number of dependence. The data have been collected from the census of population for different decades (1901 to 1981). In 1901 the population of Azamgarh in the age group of upto 18th years 14503, that in the age group of 18 to 50. It was 4144 and those in the age group 50 and above were 2072. The traditional spane of working age is normally the age group 18 to 50 years. In other words those in the age group of upto 18 years and those 50 and above were the dependence. The number of dependence in 1901 was therefore 16575. The ratio of the dependence to the earning member comes to one is to four (1:4) approximately. It has been an important factor responsible for extreme poverty of the masses.

In 1911, the population in the age group upto 18 years was 7688 and that in 50 and above was 641. The total number of dependence (including both the age group was 8329). The earning population was 4485. The ratio of earning population to dependance was in the vicinity of one is to two (1:2). In other words the number of dependence increased more than the bread earners. It aggravated the socio-economic problem of an average family.

In 1921, the earning population in the age group 18 to 50 was 3253 as against the 13014 dependence. The ratio of earners to dependence worked out as one is to four (1:4). There was significant decline in the number of dependence. It can not be inferred that it brought about improvement in social condition of an average family.

In 1931, the number of dependence increased to 13534 as against 4512, earning members. There was slight changes in the proportion between the earners and dependence. The earning population stood in the ratio of 1:3 approximately. In other words there was little impact of the Malthusian elaboration of population growth and socio-economic status. The State had not taken any active part in correlating population to economic growth.

In 1941, the number of dependence was 18717, as compared with 8012, in the age group of 18 to 50 which are assumed to be the supporters 1:2. It can be observed that there was more increase in the numbers of earners than the dependents. However, it is difficult to substantiate that there was any improvement in the socio-economic condition of the average family.

TABLE No. IIDISTRIBUTION OF POPULATION BY AGE GROUP

Year	Total population	Upto 18 years	18-50 years	50 and above years
1901	20719	14503	4144	2072
1911	12814	7688	4485	641
1921	16267	12200	3253	814
1931	18046	12632	4512	902
1941	26738	17380	8021	1337
1951	29562	17737	9869	2956
1961	36278	23581	11609	1088
1971	45484	31839	10916	2729
1981	74708	47066	22412	5230

SOURCE: Compiled and computed by the Research Scholar from census & D.S.O. of Azamgarh and Table No. I of the dissertation.

In 1951, the first post independence year in which the census of population carried out with the object of integrating population into the economic development.



The number of dependence increased to 20693, as against 8869 people in the age group of 18 to 50, as a proportion, the earning population was 1:2 approximately. It seems that the number of earnings member increased at a higher rate than the dependent. However, it was realised that the economic development should be associated with population controlled. In the initial period of independent moral persuasion was exercised so that people may adopt the family planning scheme.

In 1961, the number of people in the age group 18 to 50 was 11609 as against 24669. There was slight increase in the ratio of earning population to dependence is 1:2.2 approximately. The number of dependence more than the earning members. It proves our assumption that the people were not fully associated with family planning. The sentimental values about larger number of children and large size of family still held the ground.

In 1971, there were 34568, dependence as against 10916, the earning population 18 to 50 the ratio between the two worked out at 1:3 approximately. The number of dependence increased faster than that of the earners. Though the government had paid particular attention to population controlled

and been successful in containing the population growth, there were areas of higher growth of population, perhaps due to insufficient number of primary health centre or family planning centres. The main reason for the ineffectiveness of family planning scheme in Azamgarh was the sentimental issue, associated with child birth or termination of prignency.

In 1981, the latest census of population, the number of population in the age group of 18 to 50 is 22412 as against 52296. The proportion between dependence and earner is 1:2 approximately. The number of dependence increased at slower rate than those the age group of 18 to 50. The family planning scheme, sufficient incentives provided to females, adequate care in the health centre and sufficient facilities for family control produced the desired result of reversing the trend in the population growth. However, it is difficult to conclusively state that the population of age group of 18 to 50 were all employed. There is no classification of working population by age group. The available data are analysed in the Table III.

TABLE No. III

DISTRIBUTION OF WORKING POPULATION INTO EMPLOYED AND  
UNEMPLOYED GROUP

Year	<u>Employed</u>		<u>Unemployed</u>		Total working population
	Skilled	Unskilled	Skilled	Unskilled	
1901	-	4004	-	416 (10)	4144
1911	-	3767	-	718 (16)	4485
1921	-	3058	-	195 ( 6)	3253
1931	-	3610	-	902 (20)	4512
1941	401	6818	-	802 (10)	8021
1951	443 1%	6564	177 2%	1685 (19)	8869
1961	580 1.5%	7314	348 25%	3367 (28.5)	11609
1971	655 2%	7297	327 3%	3821 (35)	12100
1981	2017 2.5%	10309	1121 5%	8965 (40)	22412

SOURCE: Compiled and computed by the Research Scholar from  
D.S.O. L.I.O. of Azamgarh.

Further analysis of population is undertaken to determine the level of employment. In the year 1901 the total number of workforce was estimated at 4144 in Azamgarh. There

were 4004 workers in active employment as against 414 unemployed, or 10%. The entire workforce who was unskilled. Though it is difficult to put these figures to test for veracity in regard to the number of artisans and craftsmen. It is perhaps inclusive of the artisans and craftsmen who are rendered jobless after the decay of cottage industries. They should have in the process be reduced to the status of unskilled force manual jobs.

In 1911, the total number of workforce increased to 4485, comprising 3767 employed and 718 unemployed. All of them were unskilled workers. By 1911 some Indian entrepreneurs had ventured to join the organised industrial sector in Bombay and Jamshedpur. These industries were the Tata Iron and Steel Co. (TISCO) in Jamshedpur and Textile Mills in Bombay. In Azamgarh industrial activity was conspicuous by its complete absence there existence either the feudal class, advocate and to some extent the traders. The service sector comprising the trading in the main did not lead to a culture of skilled labour force.

In 1921, is an exception by the normal trend of increasing labourforce, the labour force decline to 3253. There were 3058, employed and 195 unemployed. The number of unemployed

fell by full 10% (It was 6% of the total workforce). In other words what were jobs there, if observed 95% of the total workforce. The political upheaval in Europe had supported higher level of economic activity in the country by expanding exports of agriculture produce in the country, raising the income of farmer specially with larger savings. The bright prospects made it possible for Indian entrepreneurs to establish factories at some most centres, Kanpur, Agra in U.P., to name a few. The general economic prosperity did not have any impact on the quality of the labourforce or the better job opportunities in Azamgarh. The data reveal less jobs for fewer worker unskilled workers than in past two decades. In fact, the total labourforce was not even equal to that of 1901.

In 1931, Azamgarh had a larger number of workforce. There were 4512, workers in Azamgarh, of which 902 workers were unemployed and 3610 employed. The number of unemployed at 902 was the highest so far both in absolute terms as well as in terms of personal share in terms of percentage share in total workforce. There were 80% of the workers employed as compared with 94% in 1921, 84% in 1911, and 90% in 1901. It was a matter of serious concern which should have spelt out distress among the majority section of population of Azamgarh. On

dragging the history to shift the facts, depression should have cast its shadow in the internal part of the country. Though there is little account of economic problems following the global depression it looks plausible to infer that the incomes, savings, and level of employment should have slumped. The interior areas mainly dependent on agriculture sector whose revenue productivity should have dwindled the way the economy of country as a whole had done. Hence there was dispensation of services of unskilled worker to a greater extent.

However, there was revival of the employment trend in 1941 as revealed by the data pertaining to the total workforce employed. The number of labourforce increased to 8021, or by 90% approximately over 1931. In spite of the steep increase in the total workforce, there were 6818 workers employed in the unskilled job and for the first time 401 workers employed to handle skilled jobs. The unemployment was not totally wiped out because 802, of the unskilled were still jobless or 10% of the total workforce. The thrust for qualitative change in the pattern of employment should have been the outcome of development of rail road, roads and communication system linking Azamgarh to other industrial ..

town, viz,, Kanpur, Gorakhpur, Varanasi etc. The lesson learnt in 1931 of the mass scale jobless hardly finding jobs in Azamgarh were handicapped by lack of mobility to other places because they were unskilled. Azamgarh still did not have any organised manufacturing activity it continued to be a major constant on the development of skill for better jobs. Azamgarh did not receive impetus for the establishment of institutional infrastructure for the development of skilled labour force to meet the future requirements of industrial development or for diversification of service sector.

In 1951, the working population was up at 8869, comprising 443, skilled workers 6465, unskilled workers. The unskilled workers were still the dominant segment of the working force. Of the total working force 177 skilled workers, 1685 unskilled workers. The reason for unemployment among skilled worker was lack of job opportunity in Azamgarh. This is the result of lack of co-ordination manpower development and the requirement of different sectors of economy viz,, agriculture, manufacturing forestry, public utility, service etc. The unskilled workers were unemployed due to excessive number of labour seeking unskilled job which were not available to absorb the additional working force. The

total unemployment in Azamgarh was 11% ; 9% of unskilled and 2% skilled were jobless. The skilled workers belong to middle class and the other came from lower income group.

In 1961, there was upsurge in the number of workers which were estimated at 11609. There were 348 skilled workers unemployed 2.5% of the total and 3367 unskilled workers, or 28.5% of the total. The number of unskilled workers employed in different sector in the town 7314 and 580 were the skilled worker employed or 1.5% of the total. The additional job for the skilled worker for largely created in the public utility services, civil administration in the civic body (Municipality) schools, hospitals and colleges, they were not much expansion in the number of addition jobs at manifested marginal increase in skilled job by 0.5% over 1951. However, the construction of road in the public sector, private construction and to some extent the commodity market provided additional job to unskilled workers. However, the number of unemployed unskilled workers increased both in absolute terms and in relative terms. The unemployment among unskilled workers was 19.5% in 1961 as compared with 9% in 1951. It seems that the area suffered from the lack of entrepreneurship, shortage of capital and adequate of financial institution to create and environment of economic development.



Azamgarh registered further increase in unemployed both among the skilled, unskilled in 1971. There were 327 skilled workers unemployed, 3% of the total. The level of unemployment among the unskilled workers touched the highest point as 35% of the total (3821 unskilled workers unemployed) in 1971 the town had the total working force of 12100 persons. 2% of the total working force were employed, 655, skilled workers. It represents marginal increase in the employment of skilled worker. The percentage increase in a period of ten years is indicative of almost of stagnant of position of skilled workers in Azamgarh. On the contrary the unskilled worker employed in different sector were estimated at 7297, a decline of 27 unskilled workers in absolute terms. This is regarding the notional decline in the number of unskilled worker employed. We may observed that the employment level for unskilled worker was stagnant. In other words the new project were not taken up for the construction of road, construction of building either in the public sector or the private sector or construction at the site of new industrial products. There was neither expansion in the public utility services nor was expansion in the business activity to create new job.

In 1981 there were 22412 workers in the town. The number of skilled workers was established 2017, or 2.5% of the total. On the other hand, there were 10309, unskilled workers employed in the town. It is worth-commenting on sad plight of the economy of the city, 5% of the skilled, 40% of the unskilled workers were jobless. There were little efforts on the taken either by the civic body or state government or the district planners to launch integrated scheme for providing jobs for the ever increasing number of the skilled, unskilled workers. The problem of employment should not have tended to go out of hand had there been an integrated approach to the development of human resources to the economic development planning at regional level.

The age factor is usually determinant of the working population. Those below 18 and above 55 years of age are normally unemployed. They are not physically and mentally fit for hard work. Therefore the working population has been classified into two broad age groups from 18 to 35 years and 35 to 55 years. The information has been collected from various sources as given below the Table:

TABLE No. IVDISTRIBUTION OF WORKING POPULATION BY AGE-GROUP

Years	18 to 35	35 to 55	Total
1901	2694	1450	4144
1911	2826	1659	4485
1921	1139	2114	3253
1931	3610	902	4512
1941	4813	3208	8021
1951	7539	1330	8669
1961	9287	2322	11609
1971	7260	4840	12100
1981	17930	4482	22412
U			

SOURCE: Information gathered by the Research Scholar from  
D.S.O., and L.I.O., Azamgarh.

In 1901 the age group 18 to 35 consisted of 2694 workers and 1450 those belong into the age group 35 to 55 years. Of the total population 4144, the working population in the age group 18 to 35 constituted 65% approximately and those in the higher age group were 35% of the total. The

figures for child labour pertaining to 1901 were not available. It is therefore not possible to give an estimated of child labour. However, it is fair to assume that they should have been substantial chunk of the child labour.

The reason for this assumption lies in the absence of schooling facilities and steep poverty of the parents, besides large of the families.

In 1911, of the total population (4485 workers) there were 2826, workers in the age group of 18 to 35 years or 68% as against 1659, workers in age group 35 to 55 or 32%. There is increase in the working population both in absolute and relative terms.

There were 3253 workers in Azamgarh, of which 1139, workers were in the age group of 18 to 35 years, or 38% of the total approximately. The number of workers 35 to 55 <sup>is</sup> were 2114, or 62% approximately. In 1921 <sup>is</sup> exception to the normal increase in trend in working population; it is marked by decline and also by predominance of workers in the higher age group (62% as against 38%) the apparent reason for less number of the workers in the age group of 18 to 35 was migration of workers to other places in search of job in cities.

They did not have sufficient job opportunity in Azamgarh city after the decay of traditional producing centres.

In 1931, the number of total working population was established 4512 comprising 3610 workers in the age group of 18 to 35 and 902 workers in the age group of 35 to 55. Those in the lower age group constituted the major part of the working population in tune with the normal trend. The relative share of this age group of workers was 80% approximately as against 20% of those in the higher age group.

In 1941, of the total working population (8021 workers) there were 4813, workers in the age group 18 to 35 and the number of those workers in the age group of 35 to 55 years was 8021.

However, the working population in the subsequent census years registered steady increase the working population in 1981, was 22412, as compared with 8869 in 1951. In the post independent period the size of working population in 1981 was twice as much as in 1951. There was more addition to the number of workers in the age group of 18 to 35 years. The workers in the lower age group constituted 80% of the total working population and 20% were those in the age group of 35 to 55 years.

The working population has been distributed sex-wise the following table. Till 1951, there were no women labour, all the workers were male members engaged in unskilled job. In 1951 for the first time there were 50 educated women of the working age. However, it is not clear whether they were employed. In 1961 the number of women increased to 100 trained for skilled job. The uneducated women were employed unskilled job; their number was 225. In 1971 and 1981 the number of skilled women worker further increase to 136 and 150 respectively. There was some increase in the women unskilled workers during the decade 1971 to 1981. In 1971 the number of unskilled workers was 230 and in 1981 it was 365. It may be observed that working population largely comprised the male workers.

TABLE NO. V

DISTRIBUTION OF WORKING POPULATION MALE AND FEMALE

Year	M a l e		F e m a l e		Total
	Skilled	Unskilled	Skilled	Unskilled	
1901	-	4144	-	-	4144
1911	-	4485	-	-	4485
1921	-	3253	-	-	3253
1931	-	4512	-	-	4512
1941	401	7620	-	-	8021
1951	443	8176	50	200	8869
1961	580	10704	100	225	11609
1971	655	11079	136	230	12100
1981	2017	19880	150	365	22412

SOURCE: Compiled and computed by the Research Scholar from  
D.S.O. and L.I.O. of Azamgarh.

### CONCLUSION

The size of population in Azamgarh has been generally rising, though the rate of increase had fluctuated from one census to the other. It reflects migration of population to other areas in search of employment. The rate of growth of population has varied between 6.4% to 2.2% per annum. In 1981 the rate of growth had tended to exceed the national average of 2.3% per annum.

The distribution of population indicates the population in the age group of upto 18 years predominate the total population. On the whole  $\frac{1}{3}$  of the population are the working population. In other words the size of the dependents per earning members is excessive on average; one earning member has to support four dependents approximately.

Azamgarh carries a large backlog of unemployed. The unemployment tended to spread at a faster rate in post independence period, than that in pre independent period. The average rate of unemployment in the pre-independence period was 6-2% while in the post independence period 18% to 40% of the working population was unemployed. It is accounted for by the increasing demand for skilled workers. The local working population did not have access to the training facilities existing outside the town and district.

The distribution of working population by age group brings out the fact that those in the group of 18 to 35 years of age predominated the working population. The population in this age group increased more than two fold in the pre-independence period. The working population in the age group of 35 to 55 years was less numerically. It is because of high rate of mortality in this age group. However, the number of workers in the age group of 35 to 55 years was thrice as much as that in 1951.

The distribution of working population by sex reveals absence of women participation in economic activities in Azamgarh. The encouragement and the social and economic incentives provided by state with emphasis of education and training of women led to emergence of women workers of skilled jobs. However, there are a few women doing the skilled job in Azamgarh. The women are employed in educational institution as teachers. The purpose of the scheme launched by the state for women to participate in economic activities has the sole objectives of supplementing the income of lower, middle and lower income groups. This objective will not be fulfilled without active involvement of the citizens of Azamgarh to formulate plan for better job opportunities to ever larger number of labourforce. Employment is the only means of raising the standard of living of the people in backward areas including Azamgarh.



C H A P T E R - III

INCOME PATTERN OF AZAMGARH

C H A P T E R - III  
INCOME PATTERN OF AZAMGARH

Azamgarg town presents a typical case of a community receiving most of its income from the manufacturing activities and provision of services. The income of the town kept on increasing from 1951 to 1988 at varying rates. The total Gross Domestic Product (GDP) at current prices was estimated at 53.21 lakhs in 1951. The GDP in 1961 increased to Rs.74.37 lakhs. The succeed indicate ending 1971 has been marked by steep increase in GDP, viz,, Rs. 159.19 lakhs. The GDP further went up to Rs. 522.95 lakhs in 1981 and Rs. 821.79 lakhs in 1988 at current prices.

The annual growth rate in GDP, during the period of 1951-88 varied from 4% to 22.09%. The GDP increased by 4% in 1961. The rate of growth in GDP in 1971 was higher at 11.4% than that in 1961. The GDP increased by 22.09% in 1981 and by 8.2% in 1988.

In contrast to the annual growth rate in GDP, the per capita income did not register appreciable growth. In 1951 the per capita income at current prices was Rs. 181. It was Rs. 208 in 1961 however the per capital income for 1971 was Rs. 361. The per capita income further increased

to Rs. 738 in 1981 and to Rs. 1079 in 1988.

T A B L E - 1

GROSS DOMESTIC PRODUCT OF AZAMGARH  
(At current Prices)

	(Rs. in Lakh)				
	1951	1961	1971	1981	1988
1. GDP on Rs. lakh	53.21	74.37	159.19	522.95	821.79
2. Income per capital on Rs.)	181	208	361	738	1079
3. Annual Growth Rate (%) in GDP	-	4%	11.4%	22.89%	8.2%
4. Annual Growth Rate income per capita(%)	-	1.5%	7%	10%	6.6%

SOURCE: Compiled and computed by Research Scholar from D.S.O., and Census of Azamgarh.

In terms of annual growth in per capita income, it did not make significant impact. The per capita income registered growth of 1.5% in 1961 in comparison to 4% of growth rate in GDP. The growth rate in 1971 was however, substantially higher than that in 1961 viz., 7%. There was

further improvement in the growth rate in per capita income in 1981 i.e. 10%. The per capita income registered a low growth rate in 1988 viz., 6.6%.

The agriculture did not contribute major part of the income of the town during the period on the review. Its share declined from 40% in 1951 to 28% in 1988. In absolute terms agriculture contributed to GDP of Azamgarh Rs. 21.28 lakh in 1951. In 1961 the contribution by agriculture was higher at Rs. 26.77 lakh. The agriculture income further increased to Rs. 55.72 lakhs. In 1981 there was steep increase in agriculture income, it amounted to Rs. 172.57 lakh. The income from agriculture was estimated to be Rs. 230.10 lakh in 1988. In this way, there has been steady upward trend in agriculture income from 1951 to 1988.

The manufacturing sector in the initial year of 1951 lagged far behind both the agriculture and service sectors. In 1951 it was Rs. 11.71 lakh, constituting 22% of the total GDP. In the succeeding decade ending 1961 the income of this sector increased to Rs. 17.85 lakh, or 24% of the GDP. In relative terms there was an increase of 2% in the income of manufacturing sector. In other words 2% of the incremental GDP of the town originated in the manufacturing sector. The increase in the rate of incremental GDP of the manufacturing sector presents a contrast to the declining rate of

T A B L E - 2  
SECTORAL CONTRIBUTION TO GDP  
(AT CURRENT PRICES)

(Rs. in Lakhs)

	1951	1961	1971	1981	1988
1. Agriculture	21.28 (40)	26.77 (36)	55.72 (35)	172.57 (33)	230.10 (28)
2. Manufacturing	11.71 (22)	17.85 (24)	38.21 (24)	130.74 (25)	221.88 (27)
3. Services	20.22 (38)	29.65 (40)	65.26 (41)	219.64 (42)	369.81 (45)

SOURCE: Compiled and computed by Research Scholar  
from Annual Report of various years of  
District Statistics Office (DSO). Azamgarh.  
U.P.

incremental GDP of agriculture sector. In 1971, there was sharp increase in the income of the manufacturing sector. It was estimated to be 38.21 lakh or 24% of the GDP. In relative terms the share of manufacturing sector in GDP remains constant. Again it is contrary to the declining share of agricultural income in GDP. Both in 1981 and 1988 the income of manufacturing sector was higher - Rs. 130.74 lakhs and Rs. 221.88 lakhs respectively. The relative share of manufacturing sector was 25% of the total GDP in 1981 and 27% in 1988. The manufacturing sector maintained steady growth in its share in the income of the town. During the period under review, the income of manufacturing sector increased from 22% of GDP in 1951 to 27% in 1988. In a period of 17 years the manufacturing sector registered a growth of 12% in the income of agriculture (from 40% in 1981 to 28% in 1988).

The service sector was the second most important segment of the town economy in 1951. The income of service sector in 1951 was Rs. 20.22 lakh, or 38% of the GDP of the town. In 1961 the income increased to Rs. 29.65 lakhs. It constituted 40% of the total GDP. There originated incremental income of 2% in 1961. In 1971 the income soared to Rs. 65.26 lakh. It tantamounts to 41% of the town's GDP.

It registered a growth of 1% in the income of service sector. The income of the service sector sharply increased to Rs. 219.64 lakhs in 1981 and Rs. 869.81 lakhs in 1988. It amounted to 42% of the GDP in 1981 and 45% in 1988. The income of service sector increased at an accelerated rate (higher than that of the manufacturing sector) during 1951 and 1988, 7% of the incremental GDP accrued to the service sector (from 38% to 45%).

A comparative study of the annula growth rate of the income of different sector has been analysed in the table No. 3. The agriculture income increased by 2.6% during the period 1951-61. The agriculture income has registered the lowest growth rate. The income of the manufacturing sector increased by 5.2%, higher than that of the agriculture sector. The income from service sector was the highest at 19.65%. The average has been 9.15%. In other words the income of service sector was only above average while that of the manufacturing and agriculture below average.

The income of agriculture sector increased by 10.81% in the following decade, 1961-71. The income of the manufacturing sector was more than that of agriculture viz., 11.41%. In this decade the increase of the income of

T A B L E - 3

ANNUAL GROWTH RATE IN SECTORAL INCOME(AT CURRENT PRICES)

(Rs. in Lakhs)

	1951	1961	1971	1981	1988
1. Agriculture (%)	-	2.6	10.81	20.97	3.34
2. Manufacturing (%)	-	5.2	11.41	24.20	6.97
3. Service (%)	-	19.65	12.00	23.66	6.84
4. Average growth rate	-	9.15	11.41	22.94	5.72

SOURCE: Computed and compiled by the Research scholar, from Reports of D.S.O. and the Audit Reports of Municipal Board of Azamgarh, for various years.

service sector was the highest, i.e. 12%. The average growth rate of the income of the town was 11.41%. The income of the agriculture sector only was less than the average. The annual growth rate of agriculture sector was 20.97% between 1971 and 1981. This decade reveals an abnormal increase in sectoral income at current prices. The income of the manufacturing sector output by 24.20% and that of services by



23.66%. The average growth rate in sectoral income was 22.94%, higher than that of the agriculture income only.

The sectoral income increased at decelerated rate during 1981 and 1988. The average growth rate was less than that in 1961. The agriculture income increased by 3.34% marginally higher than that in 1961 but for less than that in 1971 and 1981. The income of the manufacturing sector grew at a rate of 6.97% than that of service at 6.84%. The growth rate of sectoral income furnished a basis of relative share of each sectoral in the total income growth of the town.

The per capita income of each sector has been contrasted in table No.4. The per capita income in agriculture sector at current prices in 1951 was Rs. 180. It was the second highest per capita income (only next to service sector). The per capita income in manufacturing sector was Rs. 110 and that in the service sector Rs. 207. In 1961 the per capita income in agriculture sector was Rs. 184. It was Rs. 224 in the case of manufacturing sector and Rs. 215 in service sector. The agriculture income per capita increased Rs. 314 in 1971. There was steep increase to Rs. 420 in the per capita income of the manufacturing sector. The per capita income of the service sector also increased to Rs. 350.

T A B L E - 4  
SECTORAL INCOME PER CAPITA

	Agriculture		Manufacturing		service (including trade)	
1951	180	(40)	110	(27)	207	(33)
1961	184	(40)	224	(22)	215	(38)
1971	314	(39)	420	(20)	350	(41)
1981	608	(39)	921	(19)	684	(43)
1988	717	(38)	1546	(17)	973	(45)

SOURCE: Compiled and computed by Research Scholar, from Reports from D.S.O. and the Audit Reports of Municipal Board of Azamgarh for various years.

In 1981 the agriculture income per capita went up to the tune of Rs. 608 and Rs. 921 in the manufacturing sector. The service sector yielded per capita income of Rs. 684. The

agriculture income per capita in 1988 was Rs. 717, as contrast with Rs. 1546 of the manufacturing sector and that Rs. 973 for the service sector. In the concluding year of the period of study the sectoral income per capita is in complete contrast with what it was initially viz., the agriculture income was more than that of the manufacturing. In the end of the period the manufacturing sectors income led all the others. The agriculture income was the lowest. It may be the impact of growing pressure of population on land and less investment in agriculture development.

T A B L E - 5

ANNUAL GROWTH RATE IN SECTORAL INCOME PER CAPITA

(At current prices)

	Agriculture	Manufacturing	services
1951	-	-	-
1961	0.22%	5.09%	0.38%
1971	7.06%	8.75%	6.28%
1981	9.36%	11.93%	9.54%
1988	2.56%	9.69%	6.04%

SOURCE: Computed & compiled by Research Scholar from D.S.O., and Audit Report of Municipal Board, Azamgarh.

The annual growth rate in sectoral income per capita (at current prices) has been compared in table No.5 above.

The agriculture income per capita increased by 0.22% during 1951-61. It was not a significant increase in per capita income. It accounts for more addition to the population. The income per capita of the manufacturing sector increased at 5.09%. However, the growth rate of the income per capita in service sector was insignificant, i.e. 0.38%. In other words the income of manufacturing sector alone contributed most to the incremental income of the town. The agriculture income per capita increased at significantly high rate in 1971. It increased at an annual rate of 7.06%, higher than that in the service sector. In this decade also the income per capita of the manufacturing sector registered the higher rate of the income per capita in the service sector was the lowest, i.e. 6.28%. In 1981 there was further increase in the agriculture income per capita by 9.36% and by 11.93% in the case of the manufacturing sector. The income per capita of the service sector however went up by 9.54%. In 1988 the growth rate of per capita income in the agriculture sector slid down to the pre- 1971 level. It was 2.56%, however,

## TABLE - 6

FACTORS SHARE IN SECTORAL INCOME  
(At current prices)

	1951	1961	1971	1981	1988					
	Capital	Labour	Capital	Labour	Capital					
	Labour	Capital	Labour	Capital	Labour					
Agriculture	17.02	4.26	21.15	5.62	43.46	12.26	129.43	43.14	161.07	69.03
Manufacturing	8.78	2.93	13.03	4.82	26.75	11.46	87.60	43.14	144.22	77.66
Services	4.04	16.13	8.89	20.76	19.58	45.68	43.93	175.71	73.96	295.85
Total	29.84	23.37	43.07	31.2	89.79	69.4	260.56	24.99	379.25	442.54

SOURCE: Computed and compiled by Research Scholar from D.S.O., Azamgarh.

ii) Annual Audit Report, Municipal Board, Azamgarh.

iii) Census of Azamgarh 1951 to 1981.

the manufacturing sector registered a growth rate of 9.69%. The service sector's income per capita also increased at a satisfactory rate viz., 6.04%.

The factors share in sectoral income (at current price) has been compared in table No.6.

In 1951, the share of capital in agriculture income was Rs. 17.02 lakh as against Rs. 4.26 lakh of the labour. The share of the labour was almost  $\frac{1}{4}$ th of the capital. In 1961 there was improvement in share of capital, it increased to Rs. 21.15 lakh. The share of the labour was Rs. 5.62 lakh. It also shows marginal improvement in the income of the labour. The labour income was slightly less than  $\frac{1}{4}$ th of the income of the capital. In 1971 the income of capital increased more than two-fold; it was 43.46 lakh as against Rs. 12.26 lakh of the labour. The income of the labour in relation to that of capital was slightly more than 1/3rd (between 33% and 35%). In 1981 the income of the capital in agriculture sector increased to Rs. 129.43 lakh. There was increase in the income of labour and it went up to Rs. 43.14 lakh. But in 1981 the labour income as a ratio to capital was 33%. In 1988 the share of the capital was higher at Rs.161.07 lakh as against Rs. 69.03 lakh that of labour. The labour income

a proportionately increased at a decelerated rate. It would be fair to conclude that the labour incomes ratio to that of capital range between 25% and 33% during the period under study.

The manufacturing sector does not yield as much of income to capital and labour as done in agriculture sector. The income of capital and manufacturing sector was estimated at Rs. 8.78 lakh as against that of Rs. 2.93 lakh for the labour. However, the income of capital went up in 1961 to reach the level of Rs. 13.03 lakh and that of labour Rs.4.82 lakh. Proportionally that the income of labour was 25% of that of capital. In 1971 the increase of the labour was Rs. 11.46 lakhs compared with Rs. 26.75 lakh for the capital. The income of the labour was approximately 40% of that capital. In 1981 the income of the capital increased to Rs.87.60 lakh as against Rs.43.14 lakh of labour. Income of the labour as a ratio to that of capital was 44% approximately. In 1988 the income of the capital increased to Rs. 144.22 lakh and Rs. 77.66 lakh for the labour constituting 50% of the capitals income. The obvious conclusion from comparison two types of income is that the manufacturing sectors was paying higher

wages to the workers than that of agriculture sectors. It was for two reasons, first the workers were organised and second more skilled workers were employed in the manufacturing sectors. Besides, the marginal efficiency of the capital in manufacturing sectors was presumably higher than in the agriculture sectors.

In absolute terms the labour commanded higher income than that of the capital in absolute terms as the survey of town reveals the service sector employing less capital. The large amount of capital is employed in institution providing utilities, social and economic infrastructures, viz., transportation, communication and electricity distribution. In general the service sector is dominated by an organised service centre or custom operator, including the repairing shops, the hair cutting saloons, the tailors, the doctors, the advocates and the teachers etc.

In 1951, the income of the capital was Rs. 4.04 lakh and that of the labour Rs. 16.18 lakh. In 1961 the income of the capital increased to Rs. 8.89 lakh and that of labour Rs. 20.76 lakh. The income of the labour in 1961 was proportionally twice as much as that of capital approximately in 1971. The income of labour went up to Rs. 45.68 lakh as



compared with Rs. 19.58 lakh that of capital. The income of the labour was more than two-fold of that of capital. In 1981 the income of the labour steeply increased to Rs. 175.71 lakh as against to Rs. 43.93 lakh that of the capital. In 1988 the income of the labour was estimated at Rs. 295.85 lakh as against to Rs. 73.96 lakh that of the capital. It is evident from analysis that the service has become costlier in town.

The total income of the capital in three sectors combined was put at Rs. 29.04 lakh. In 1951 which increased to Rs. 579 lakh. The income of the labour in 1951 was Rs. 23.37 lakh which increased to Rs. 442.54 lakh. The share of the labour income in service sector was approximately 50% of the total both in 1951 and 1988. It means that labour is more valuable in the service sectors than in the other two sectors, viz., manufacturing and agriculture sector.

Analysis of the income growth (at current prices) in Table 7 below makes an interesting study. The capital registered an increase of 2.4 per cent in 1961 over that of 1951. As compared to other sectors, it was the lowest (lower than the average growth rate of 6.4 per cent. A

comparative study of the income from capital investment in service sector tops the growth rate with 12 per cent of increase over that of 1951. The manufacturing sector occupies the second place in regard to income on investment of capital (4.8 per cent of growth rate).

T A B L E - 7  
SECTORAL GROWTH RATE OF FACTOR INCOME (% AGE)  
 ( at current price)

SECTORS	1951		1961		1971		1981		1988	
	Capi- tal	Lab our	Capi- tal	Lab our	Capi- tal	Lab our	Capi- tal	Lab our	Capi- tal	Lab our
Agriculture	-	-	2.4	3.19	10.6	11.81	19.8	25.2	5.4	8.6
Manufacturing	-	-	4.8	6.54	10.5	13.8	22.8	27.6	9.2	11.4
Services	-	-	12	2.8	12.02	12	12.4	28.5	9.8	9.7
Average Growth Rate	-	-	6.4	4.2	11.02	12.5	18.3	27	8	9.9

SOURCE: Computed and compiled by the Research Scholar

On the contrary, the growth rate of labour income is estimated higher than that of the capital income. In 1961,

it was put at 3.19 per cent in the agricultural sector as against that of 2.4 per cent for the capital income. However, in contrast with the capital income, the labour income growth rate is the highest in the manufacturing sector (6.4 per cent). It is the lowest in the service sector (less than even that of the average growth rate of 4.2 per cent). It lays the emphasis on the training of the workers in new skills and implementation of effective plans for occupational shifts in the service sectors.

Tracing the trend in the growth rate of sectoral income, the capital income in the agricultural sector presents oscillating behaviour. The capital income in the agricultural sector went up steadily upto 1981 (from 10.6 per cent in 1971 to 25.2 per cent in 1981). It took a nose dive in 1988 to touch the lowest of 5.4 per cent. It is accounted for by accelerated capital investment in the agricultural sector for higher land productivity. The schemes implemented include development of land, construction of tubewells, purchase of tractors and agricultural machinery, extensive use of chemicals, etc.

The trend of the type obtaining in agricultural sector also holds in the case of the manufacturing sector.

It makes an exception of down slip in the solitary year 1988; the capital income in the manufacturing sector registered the growth rate of 9.2 per cent as compared with the otherwise rising trend during the period of study. The capital income in the manufacturing sector increased from 10.5 per cent to 22.8 per cent in 1981. It acted as a strong incentive to additional investments in new projects, specially in the plastic goods units, the steel product fabrications, etc. The construction industry also made much headway. Capital investment took place in the private sector, specially in the development of new market centres and residential houses. The acceleration in capital investment, coupled with gestation period, resulted in the declining trend in the growth rate of capital income in the manufacturing sector.

The growth rate in the labour income has also maintained a steady upward trend during the period of study. It was put at 6.54 per cent in 1961. The labour income increased at a faster rate during 1971, at 13.8 per cent. The rate of growth in the labour income during 1981 was estimated at 27.6 per cent. In contrast with the normal upward trend

in the growth rate of the labour income however, suffered a reversal in 1988 (11.4 per cent). The effective combination of labour with capital is the plausible factor for the steady growth in the labour income in the manufacturing sector. The year, 1988, is characterised by a slower growth rate in the labour income due to fresh recruitment of workers who were not fully trained in the skills of steel fabrications and the plastic goods units. It resulted in the labour income's growth at a decelerated rate.

The service sector, on comparison, has registered sluggish upward movement in the growth rate of the capital income. It initiated with 12 per cent of the growth in capital income in 1961, which marginally moved up to 12.02 per cent in 1971, and to 12.4 per cent in 1981. It slid back to 9.8 per cent in 1988. The marginal insignificant increase in the growth rate of the capital income in the service sector is due to small capital base deployed in such services as tailoring, dyeing, repairing centres, etc. The growth rate in labour income touched the highest 28.5 per cent in 1981 to slide back steeply to 9.7 per cent in 1988. The survey of the town, Azamgarh, establishes the fact that absorption of the labour in the new manufacturing units did

account for the decline in the labour income of the service sector, though in conformity with the general trend obtaining in all the sectors during the year, 1988.

The average growth rate in the capital income indicates that the trend was steady during 1961 and 1981 (6.4 per cent in 1961 and 18.3 per cent in 1981). It declined to 8 per cent in 1988 on account of the factors recounted in the foregoing paragraphs. The set-back in the growth rate of capital income in the agricultural sector led to decelerated in the growth of the capital income. In other words, the agricultural sector is still the propeller of the economic activities of the town.

The labour income, on average, registered accelerated growth during 1961 and 1981 (4.2 per cent in 1961 and 27 per cent in 1981). It got decelerated in 1988 (9.9 per cent against due to serious set-back in the growth of the labour income in the agricultural sector. In fine, the agricultural sector is unable to cope up with the mouning pressure for employment. There is bound to be frectional unemployment in the wake of the modernization of the agriculture which is going on apace with the involvement of the various agencies, viz., the land mortgage banks, the Commercial banks, the cooperatives etc.

The economic progress in terms of current prices give a euphoria of prosperity; improvement in standard of living is preferable in real terms. The following table has been drawn up to show GDP in real terms (base 1971). The statistics published in its several reports have been consulted by the research scholar to convert the GDP at current prices into real terms. There may be some variations of regional nature which the research scholar has taken for granted due to insignificant effect of such variables on the overall results. Azamgarh in the eastern Uttar Pradesh is basically predominated by the low income group. Their consumption habits comprising the cereal food, fuel and clothing as a major constituents of family budget have been duly taken into account while consulting the price index published by the Central Statistical Organisation for various years. The Research Scholar has carried out cross checking with the help of price indices published by the Reserve Bank of India and other independent agencies, including The Economic Times. The result is given in the form of the Table No.8 given.

The Domestic Product (GDP) of Azamgarh in real terms was estimated at Rs. 112.02 in 1951 which increased to Rs. 134.97 lakh in 1961. In 1971, the GDP in real terms

T A B L E - 8  
GROSS DOMESTIC PRODUCT OF AZAMGARH  
 (Base year 1970-71)

(Rs in Lakhs)

	1951	1961	1971	1981	1988
G.D.P. (in Rs.lakh)	112.02	134.97	159.19	203.48	202.71
Income per capita (Rupees)	381.05	377.49	361	272.37	266.16
Annual Growth Rate in G.D.P.(%age)	-	2.05	1.79	2.78	- 0.05
Annual Growth Rate in Income Per Capita (%age)	-	- 0.09	- 0.44	- 2.46	- 0.33

SOURCE: Information gathered by the research scholar from  
 D.I.O., D.S.O., Azamgarh.

maintained its steady growth to touch the level of Rs.159.19 lakh. The GDP further increased to Rs. 203.48 lakh in 1981 to Rs. 202.71 lakh in 1988. The upward movement of the GDP is discernible from the table. The economy of Azamgarh is making progress in real terms.



However, when the GDP is contrasted with the growth of the population of the town, it results in diminution of the per capita income, as evident from the table. The per capita income in Azamgarh was the highest in 1951 in real terms (Rs. 381.05). It came down to Rs. 377.49 in 1961. There has been further erosion in the per capita income in 1971 (Rs. 361). The declining trend abetted in 1981 (Rs. 272.37) and in 1988 (Rs. 266.16). The per capita income did not grow with the burgeoning GDP of Azamgarh. It is the exclusively adverse effect of faster population growth on the one hand and lack of sufficient increase in the productive capacity and productivity of the economy of the town. It furnishes a justification to pin point the blame on the inadequate attention of the district planning and administration system not to take care of the economic variables of accelerated economic growth.

To bring the problem of diminishing growth in GDP, the research scholar has also worked the growth rate for the period of study. The GDP has grown at varying rates, except in 1988. The growth rate in 1961 was put at 2.05 per cent as against that of 1.79 per cent in 1971 and 2.78 per cent in 1981. In 1981, the GDP registered negative rate of 0.05 per cent. These rates reveal the fact that the economy generated

income at a fluctuating rate. The production conditions and the consumption conditions have to account much for the sharp fluctuations in the rate of growth from decade to decade, since 1951. In general terms, it may be stated that low investment, labour intensive techniques and inefficiency are the deep rooted causes to arrest the growth of the GDP. Lack of statistical information within the short span of time is responsible for my inability to undertake detailed examination of the variables. Likewise, I would be content with the general statement about the consumption conditions. It is the abundance of superior goods from outside the region flooding the local market at cheaper price which is responsible for diversion of much of the demand away from the traditional goods produced locally. The low capita income in real terms has also its share in the decelerated growth of the GDP. I have not been able to carry out a detailed analysis of these factors operating on the demand side. However, the per capita income has been calculated to ascertain the validity of the hypothesis.

In table 8, the per capita income's growth rate has been presented. It is evident that there has been unabatted diminution in the per capita income. The negative growth

rate registered by the per capita income has varied from 0.9 per cent in 1961 to 0.33 per cent in 1988. It calls for expansion in the investment for creating additional productive capacity.

Contrasting table No.8 with table No.3, I am able to highlight the impact of inflation at local level (Azamgarh town). To recount the main findings of table No.3, it revealed an annual growth varying from 4 per cent in 1961 to 8.2 per cent in 1988. The annual growth rate in 1961 got reduced to 2.05 per cent and to a negative rate of 0.05 per cent in 1988. Taking out the difference between the growth rates for the GDP at current prices and that of in real terms (base 1971) exemplifies the extent of inflationary impact. In other words, Azamgarh has its own share of economic problems arising from inflation in the country.

The impact of inflation is highly profound in regard to per capita income. The per capita income at current prices tended to grow at an accelerated rate (ranging from 1.5 per cent in 1961 to 6.6 per cent in 1988, though it was 10 per cent in 1981). On the contrary, the per capita income (base 1971) registered the negative growth rate (0.09 per cent in 1961 and 0.33 per cent in 1988). Discounting the

impact of population growth, inflation had its toll in terms of the erosion of the per capita income. It largely accounts for deterioration in the living conditions of the vast majority, consisting of the labour class in Azamgarh. The economic indicators serve the purpose to determine the performance of different sectors of Azamgarh's economy. The sectoral performance can prepare a base to structure the plans for area growth and employment.

The comparative analysis of sectoral performance in terms of the GDP of Azamgarh in real terms (base 1971) make an interesting reading. Agricultural sector had been major contributor of GDP in real terms till the preceding decade (1981). By 1988, the service sector emerged as a dominant sector with major share in the GDP. For instance, the GDP contributed by the Agriculture in 1951 was estimated at Rs. 44.81 lakh, in 1961 at Rs. 39.59 lakh, at Rs. 55.72 lakh in 1971, at Rs. 67.15 lakh and at Rs. 56.76 lakh in 1988. The agricultural sector maintained steady growth in its contribution to the GDP, though at a decelerated rate.

The manufacturing sector also contributed growingly to the GDP of the town. The GDP in real terms (base 1971) was estimated at Rs.24.64 lakh in 1951, at Rs. 32.39 lakh in

T A B L E - 2

SECTORAL DISTRIBUTION OF G.D.P. IN AZAMGARH

(Base year 1970-71)

(Rs. in lakhs)

Years	Agriculture	Manufacturing	Services
1951	44.81	24.64	42.57
1961	48.59	32.39	54.09
1971	55.72	38.21	65.26
1981	67.15	50.87	85.46
1988	56.76	54.73	91.22

SOURCE: Information gathered by Research scholar from Annual Report (S.D.O.) and Audit Report Municipal Board, Azamgarh.

1961, at Rs. 38.21 lakh in 1971, at Rs. 50.87 lakh in 1981 and at Rs. 54.73 lakhs in 1988. The growing share of the manufacturing sector in the GDP of Azamgarh is an indicator of additional capacity generated in the course of the period under review on the one hand, and also improved efficiency of factor inputs to some extent. The traditional manufacturing activities, as discussed earlier, include the bidi

making, the plastic goods units, the hyde and skin units. The non-traditional units in the manufacturing sector has also come up in the recent past, mainly the steel fabrication works.

The service sector, initially, made a contribution of Rs.42.57 lakh in 1951. It increased to Rs. 54.09 lakh in 1961, to Rs. 65.26 lakh in 1971, to Rs. 85.46 lakh in 1981 and, finally, in 1988 it stood at Rs. 91.22 lakh. There are two factors underlying the fast growth in the share of the service sector to the town's GDP; in the first instance, the expansion of the motor transport services operated by the residents of the town and also emerging specialised services of the physicians, teachers, and banking services. However, the research scholar has a serious reservation about the likely impediments in the growth of the service factor. The service sector functions to provide logistics to the manufacturing and the agricultural sector. It can not grow upon itself. It has to be supported by the vitality of the other two sectors of the town's economy. In my considered opinion, the main thrust should be provided for the expansion in the agriculture and the manufacturing sectors.

A comparison between the growth rates of different sectors has been presented in the table No.10. Looking at the growth rates of different sectors, it is found that the service sector was forging ahead of the other sectors (Agricultural and the manufacturing) with 2.71 per cent of the growth rate in 1961, followed by Agriculture (0.84 per cent and the manufacturing 0.03 per cent). Lack of modernization and extensive application of the traditional techniques in 1951 were largely responsible for the slower growth of the agricultural and the manufacturing sectors than that of the service sectors.

**T A B L E - 10**  
**SHOWING THE PERCENTAGE OF ANNUAL GROWTH RATE IN**  
**SECTORAL INCOME IN AZAMGARH**  
 (Base year 1970-71)

Year	Agriculture	Manufacturing	Services
1951	-	-	-
1961	0.84	0.03	2.71
1971	1.47	1.79	2.06
1981	2.05	3.31	3.10
1988	- 2.21	1.08	0.96

SOURCE: Compiled and computed by the Research Scholar from  
 D.S.O. and Audit Report Municipal Board of Azamgarh.

In 1971, there was acceleration in the growth of the agricultural income to reach the rate of 1.47 per cent in tune with that of the manufacturing sector (1.79 per cent). However, the income of the service sector did not match with the growth rates of the other two sectors (the agricultural and the manufacturing); it was a diminished growth rate of 2.06 per cent. It is attributable to the conscious efforts of the institutions to mobilise the incremental income for investment purposes. It did have its impact on consumption expenditure on services (a detailed study is given in the following chapters IV & V).

In 1981, the manufacturing sector was leading the other sectors of the town's economy with the growth rate of 3.31 per cent, followed by the service sector (3.10 per cent) and the agricultural sector (2.05 per cent). The spurt in the growth rate of the service sector had its origin in the development of service centres such as the auto repair shops and private motor transport services.

In 1988, it was the negative trend in the sectoral income growth. The agricultural sector registered steep deceleration in the income (by 2.21 per cent). However, the manufacturing and the service sectors still made



positive contribution to the income of the town, it was estimated 1.03 per cent and 0.96 per cent respectively. In fine, the deceleration in the growth of the agricultural income is mainly responsible for slippage in the town's GDP in real terms. It is a pointer of the complex problem of mounting pressure on land on the one hand and inadequate application of modern techniques of farm management and cultivation.

In conclusion, the economy of the town has undergone a change as revealed by the GDP originating in different sectors. Measured in terms of the current prices, the share of the agricultural sector declined from 40 per cent in the beginning to 28 per cent. However, the share of both the manufacturing and the service sectors kept up rising from 60 per cent to 72 per cent during the period under review (1951 through 1988).

Again, the average growth rate in the town's GDP is characterised by deceleration (at current prices). It is accentuated when the impact of the inflation is removed. The growth of the income in real terms (base 1971) is marked by the negative rate of growth. It is indicative of the

fact that the income is not generated sufficient enough to neutralise the effect of inflationary increase on the values of goods and services added. It calls for expansion in the capital base of the production units in all the three sectors of the town's economy. In a few words, the town did not experience progress and prosperity due to inadequate investment. The assumptions are being examined in details in the following Chapter IV.

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C H A P T E R - I V

SAVINGS AND INVESTMENT PATTERN IN  
AZAMGARH, UTTAR PRADESH

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C H A P T E R - I V  
SAVINGS AND INVESTMENT PATTERN IN  
AZAMGARH, UTTAR PRADESH

In the foregoing chapter, income pattern of Azamgarh, it was observed that the town is not experiencing progress and prosperity due to inadequate investments. The conclusion is inferred from the available economic indicators, viz., negative income growth in real terms. In this context, it was suggested that the capital base of all the three sectors (Agricultural, Industry and Service) should be allowed to expand. In the present chapter, analysis is being undertaken of the savings and investment pattern and a projection till the year 2000 to attain the level of full employment.

Other things being constant, the analysis is based on the propensity to consumer and save of the town's people. Among other things, it is related to the size of a family and its income at micro-level. In the table below, the households are classified into different size of families to determine the normal size of the family in the town. The underlying assumption is that, other things being the same, the larger is the size of the family, the higher is the propensity to consume.

T A B L E - 1

HOUSEHOLDS BY SIZE OF THE FAMILY IN AZAMGARH

Year	Number of Households	Per cent Family Size			Total %
		2-5	5-8	8 and above	
1951	3611	2	18	80	100
1961	4210	5	23	72	100
1971	6110	9	26	65	100
1981	11261	10	27	63	100
1988*	15840	12	27	61	100

\*Note: The figures are estimated by the Research Scholar on the basis of the Municipality's records of the town's households.

SOURCE: Computed from the Census Reports, 1951 through 1981, by the Research Scholar.

The table above depicts two divergent trends; the increasing number of families in the group 2 - 5 in contrast with that of falling number of families in the other two family groups, 5 - 8 and <sup>8 and</sup> above. The trend splits the period of the study, 1951 through 1988, in two perceptible divisions, viz., the period from 1951 to 1971 of accelerated increase in the family group 2 - 5 which approximates to the rate of 9 per cent per decade, and the subsequent period from 1971 to 1988 is marked by the decelerated rate of increase in the number of family group 1.5 per cent decade. Likewise, the change in the other two groups follow the suit. It leads the research scholar to observe that social factors are more compelling drive behind the size of the family than the economic factors. It highlights the role of social sociologists to bring about a change in the social values attached to the family size and its composition. In fine, it is perceptible from the data presented and analysed in the Table No.1 above that the family group 8 and above is the predominant size in the town.

As the income is the major variable of the propensity to consume and save, the research scholar has collected the basic data from the census reports. The Income Tax Office, the Schools and the Municipality. Of course the figures so

collected were not comparable. It, therefore, became necessary to make a study of the occupation yielding income to different families and the living standard maintained by them. It was verified with the help of the consumer price index to estimate the consumption expenditure and the investment in land & building. The information has also been collected through personal interviews of 100 families engaged in agriculture, industry trade and service. The outcome of the efforts of the research scholar is presented in the following table No.2.

T A B L E - 2  
FAMILIES BY SIZE OF INCOME IN AZAMGARH

Year	Less than Rs.5,000	Rs.5,000-10,000	Rs.10,000 & above
	%	%	%
1951	95	4	1
1961	94.8	4.2	1
1971	90	9	1
1981	87	11	2
1988	86	12	2

SOURCE: Computed from the secondary and the primary data collected from different sources by the Research Scholar.

The income of the families in general is low though there is a visible decline in their number. Conversely, the income of the family has been moving up, though at a slow rate. During the period of study, the income of the family has gone up by 9 per cent. These are two contradictory trends which have obtained in the size of the family and their income. The size of the family is growing on average unmatched by the rate of increase in the family's income. However, it can be inferred from the foregoing study that the low income group still constitutes the majority section of the community of the town. It mainly includes the scheduled castes and tribes who are largely engaged in the unskilled jobs.

It took the research scholar to the analysis of the average family's consumption pattern. I selected 100 families and presented them with a preset weighted family budget proforma to tick their answers. The data so collected are analysed in the following table No.3.

Two conclusions are crystal clear from the study in the foregoing table; there is positive relationship between income and savings, other things being the same. For instance, the middle-and-the high income group is realising savings owing



T A B L E - 3  
CONSUMPTION PATTERN OF FAMILIES IN  
AZAMGARH IN 1988

Items	Less than Rs. 5,000	Rs. 5,000 to 10,000	Rs. 10,000 and above
	%	%	%
Food	86	74	58
Fuel	6	4	2
Clothes	5	10	13
Education	-	3	5
Health	-	2	4
Miscellaneous	3	5	8
Savings	0	2	10
Aggregate Income	100	100	100

SOURCE: Computed by the Research Scholar on the basis of primary data.

to low propensity to consume as against that of the low income group. The low income group has the income to fulfil the basic needs. In other words, their expenditures are irreducible and barely sufficient for sustenance of life. The conclusion to be inferred in the second instance is related to negative relationship between propensity to consume and the size of the...

income since necessities constitute the major part of a family's budget in general. For illustration, the food, fuel, and clothes together claim 73 to 97 per cent of the family's consumption outlay in the foregoing study (Table 3 above).

These expenditures are not elastic of income except by a marginal incremental rate (perhaps due to social urge with upward movement of income to gain social recognition (a class))

The following table No.4 presents the pattern of savings and investment in the town to examine its impact on the aggregate income. The table is prepared on the basis of the data presented in the preceding table Nos. 1 to 3. The study would reveal the catalytic role of investment in the growth of the town's income.

T A B L E - 4  
SAVINGS AND INVESTMENT PATTERN IN AZAMGARH  
(At current prices)

Year	Income* (Rs. Lakh)	Consumption (Rs. Lakh)	Savings (Rs. Lakh)	Investment (Rs. Lakh)
1951	53.21	50.12	3.09	24.25
1961	74.37	69.91	4.46	89.28
1971	159.19	149.64	9.55	373.31
1981	522.95	491.48	31.47	330.31
1988	821.79	772.48	49.31	452.76

SOURCE: Computed on the basis of the data furnished in the foregoing tables 1 to 3.

Note: \* Income figures are quoted as they stood at the beginning of each year.

It is evident from the study in table 4 that the income has kept up its upward march; it has grown 14 times approximately. The savings of the town has grown 15 fold during the period of study. Both the growth rates (that of the income and savings) are outpaced by the incremental investments which is put at 18 times over 1951. The reasons are not far to seek. It lies in the propensity to consume.

However, there is an abnormal behaviour in the pattern of investment in 1981 which is marked by a steep dip in absolute terms (from Rs. 373 lakh in 1971 to 330 lakh in 1981). The reasons for the decline are traceable to the capital from other sources flowing to the town at decelerated rate (the study is presented in subsequent tables).

It is of great significance to examine the sources of savings for investment in the town which is devoid of a developed capital market. There are three main sources of capital funds in the town, viz., the savings of the households, the commercial banks, the cooperative banks, the Municipality, and the plan outlays. The savings of the cooperatives and the commercial banks are lumped together in the classificatory format presented in the table No.5 below:-

T A B L E - 5  
SOURCES OF SAVINGS FOR INVESTMENT  
IN AZAMGARH

Years	Total Investment	Household Savings	Banks	Plan Outlay	Municipality
1951	24.25	1.24	14.25	7.40	1.06
1961	89.28	2.01	57.58	27.15	2.54
1971	373.31	4.39	248.90	105.47	14.55
1981	330.31	11.96	219.73	92.65	5.97
1988	452.76	19.23	312.50	108.93*	12.10

Note:\* The data are related to the Seventh Plan Outlay earmarked for several schemes undertaken in the town.

SOURCE: Computed from Table 4, and the reports of the District Statistics Office, the Planning Office, and the Budget of the Municipality of Azamgarh for various years.

It is manifest from the study in the foregoing table No.5 that the Banks and the plan outlays are the major sources of investible funds in the town. The household savings and the surplus of the municipality are still insignificant relatively. In other words, the vicious circle of the low income and low savings still persist in the town as a major constraint on the town's self efforts for economic progress and prosperity.

T A B L E - 6  
PROPENSITY TO SAVE AND INVEST IN  
AZAMGARH

Propensity to save & Invest	1951	1961	1971	1981	1988
<b>I - Household:</b>					
a) Income (Rs.Lakh)	53.21	74.37	159.19	522.95	821.79
b) Consumption Expenditure	50.12	69.91	149.64	491.48	772.48
c) Savings (a - b)	3.09	4.46	9.55	31.47	49.31
d) Investments	23.19	86.74	358.76	324.34	440.66
e) Propensity to:					
i) Save (%)	5.81	5.99	6	6.02	6.04
ii) Invest (%)	45.57	120.05	234.51	63.16	55.09
<b>II - Banks:</b>					
a) Consumption Expenditure (Rs. Lakh)	0.82	1.75	2.61	2.85	3.25
b) Lending & Investment (Rs.Lakh)	14.55	57.58	248.90	219.73	312.50
<b>III - Plan Outlays:</b>					
a) Consumption Expenditure (Rs.Lakh)	2.22	13.03	42.18	45.39	46.84
b) Capital Outlays (Rs. Lakh)	7.40	27.15	105.47	92.65	108.93
<b>IV - Municipality:</b>					
a) Consumption Expenditure (Rs. Lakh)	6.39	10.26	16.01	19.38	22.99
B) Capital Exp.	1.06	2.54	14.55	5.97	12.10

SOURCE: Computed on the basis of the preceding tables 1 to 5.

There is scope to augment the supply of funds from different sources provided the wasteful expenditure are curbed in the public sector institutions and incentives provided to households for postponing the current consumption. The prospects for larger savings can be gauged in the accompanying table No. 6.

The analysis in the Table No.6 confirms the view that the town's investment activities mainly get propped by the plan outlays and the bank's lendings and investments. The household savings are marginal in the kit of the investments. It holds true for the country as well as which is experiencing inflation due to slow pace in the growth of household savings. It may be reiterated that the household savings need to be augmented by a combination of fiscal and monetary measures. It is also worth noting that the plan outlays are coupled with consumption expenditure (administrative expenditure). It amounts to waste of scarce capital which should be kept to the minimum. In case of the Municipality, its consumption expenditure (administrative) are larger than the capital outlays. The consumption expenditure should be pruned to save the funds for development of infrastructures and public utilities. These services play complementary role to economic progress and prosperity.

The public sector is pivotal to the economic progress of the town. It is analysed in the following table No.7.

The public sector comprises the nationalised banks, the cooperative banks, the municipality and the plan outlays.

T A B L E - 7  
PER CENT SHARE OF PUBLIC AND PRIVATE  
SECTORS IN AZAMGARHIS INVESTMENT FUNDS

Year	Private Sector %	Public Sector %	Total %
1951	65.11	34.89	100
1961	44.81	55.19	100
1971	1.18	98.82	100
1981	3.62	96.38	100
1988	4.25	95.75	100

SOURCE: Computed on the basis of the data furnished in the foregoing Table No. 5.

It is discernible from the Table No.7 that the private sector is not generating sufficient investment funds. It is necessary to give support to self efforts to the households for more savings by means of monetary measures and the fiscs.

Sectoral allocation of investment funds is presented in the accompanying table No. 8 during 1951 and 1988.

T A B L E - 8  
SECTORAL ALLOCATION OF INVESTMENT  
IN AZAMGARH

(Rs. in Lakhs)

Sectors	1951	1961	1971	1981	1988
I - <u>Agriculture:</u>					
a) Savings	1.24	1.61	3.34	10.39	13.81
b) Investments	8.58	10.53	21.28	105.06	133.98
II - <u>Trade &amp; Industry:</u>					
a) Savings	0.681	1.07	2.29	7.87	13.31
b) Investment	12.01	74.25	333.94	199.75	286.59
III - <u>Services:</u>					
a) Savings	1.17	1.78	4.62	13.21	22.19
b) Investment	3.66	4.50	18.09	25.50	32.19
<u>Aggregate:</u>					
a) Savings	3.09	4.46	9.55	31.47	49.31
b) Investment	24.25	89.28	373.31	330.31	452.76

SOURCE: Computed on the basis of Table No. 3 (Chapter III) and Table No. 5 (Chapter IV).

In Azamgarh town, the trade, industry and service sectors are main constituent of the town's economy in terms of both the



savings and investment. The agricultural sector takes the last position in regard to the quantum of savings and investment undertaken. It may be due to, among other things, the cost of the capital unmatched by the return.

The institutions providing investible funds to different sectors is presented in the following table No.9. It throws light on the relative importance of the different institutions in financing capital expenditure in different sectors of the town.

Of the loans and advances by the Banks, the agriculture has received the major share through the entire period of the study (1951 - 1988). It is traceable to efforts for development of main activities of the region in fulfilment of the plan dictates. The share of the agriculture in bank loans is only exceeded by that of the trade and industry. In case of the plan outlays, delays in the completion of the projects has drained away, substantial capital funds. There would have been a different scenario of the pace of the economic development of the town if the lapses in the execution of the schemes were avoided or minimised. The low investment by the Municipality on public utilities such as education, health care, provision of drinking water and electrification of roads,

T A B L E - 2

SECTORAL PATTERN OF SAVINGS & INVESTMENT BY  
PUBLIC INSTITUTIONS IN AZAMGARH  
(1951 - 1988)

(Rs. in Lakhs)

Institutions'  
 Savings & Investment  
 Pattern

<b>I - Banks:</b>					
a) Agriculture	0.08	3.90	59.74	41.22	38.56
b) Trade & Industry	6.13	13.02	49.78	58.09	51.16
c) Service	1.45	9.12	3.61	10.31	6.80
d) Municipality	2.52	5.63	21.32	11.23	19.10
e) Miscellaneous	4.37	25.91	114.25	98.88	196.88
<hr/>					
Total Loans & Advances	14.55	57.58	248.90	219.73	312.50
<hr/>					
<b>II - Municipality:</b>					
a) On-going Projects	0.95	2.16	11.93	5.07	8.57
b) New Projects	0.11	0.38	02.62	0.90	3.63
<hr/>					
Total Investment	1.06	2.54	14.55	5.97	12.10
<hr/>					
<b>III - Plan Outlays:</b>					
a) On-going Projects	2.85	11.16	31.64	64.86	65.36
b) New Projects	4.55	16.09	73.83	27.79	43.57
<hr/>					
Total Investment	7.40	27.15	105.47	92.65	108.93

SOURCE: Computed on the basis of secondary data collected from reports of District Statistics Office, District Planning Office, Banks and the account summarises of the Municipality of Azamgarh for various years.

etc., is responsible for inadequate social services and public utilities. It calls for augmenting investment by the Municipality specially in the extension of roads, development of lands, sanitation and drinking water for improving the quality of human life in the town.

An insight into the relative savings and investment is provided in the Table No. 10. It is useful to analyse the impact of investment on the growth of different sectors of the town's economy. It also serves as an index of the buoyancy of each of the town's economic sector.

The pattern of savings generated by different sectors of the town's economy has undergone a perceptible change. In the initial period of the study, 1951, the agricultural sector held 40 per cent of the savings and 35.38 per cent of the investments, followed by the service and the industry. In the concluding period, 1988, the savings in the agricultural sector declined to 28.01 per cent and that of the service sector zoomed to 45 per cent. However, the savings in the trade and industry were put at 26.99 per cent. The pattern of investment is altogether different from that of the savings. In 1988, industry made massive investment in relative terms; it amounted to 63.31 per cent as compared with

T A B L E - 10  
RELATIVE SAVINGS AND INVESTMENT IN  
AZAMGARH (AT CURRENT PRICES)

Sectors	1951 %	1961 %	1971 %	1981 %	1988 %
I - <u>Agriculture:</u>					
a) Savings	40.13	36.09	34.97	33.02	28.01
b) Investment	35.38	11.79	5.70	31.81	29.59
II - <u>Trade &amp; Industry:</u>					
a) Savings	22.01	23.99	23.98	25.01	26.99
b) Investment	49.53	83.17	89.45	60.47	63.31
III - <u>Service:</u>					
a) Savings	37.86	39.92	41.05	41.97	45.00
b) Investment	15.09	5.04	4.85	7.72	7.10
IV - <u>Aggregate:</u>					
a) Savings	100.00	100.00	100.00	100.00	100.00
b) Investment	100.00	100.00	100.00	100.00	100.00


SOURCE: Computed on the basis of the data given in the Table No.8.

that of 29.59 per cent in agriculture and a bare 7.10 per cent in service. The substantial expansion in industrial investment is brought about by the establishment of industrial estate in mid-eighties in Azamgarh. Thirty new units have come up to manufacture the plastic goods, the steel products, etc. The savings of the trade and industry are not comparable with the investment due to early stage of the formation of new units.

The service sector is able to foster its growth in terms of savings disproportionate to the investment because of the small investments in tools and equipments of the service centres. It is expanding fast to provide better job opportunities in the town. A congenial climate for investment seems to be taking shape in the town with perceptible transition of the town's economy from the primary sector (agricultural sector) to the tertiary sector (service sector).

It is not possible to achieve accelerated economic development without toning up the efficiency of economic system, specially that of the production process. Technological development holds the key to the success in the bid to perform the feat of economic progress and prosperity. The research scholar has this point in view while surveying the town for economic statistical facts. In the Table No.11 below capital intensity has been worked out to determine the change in techniques of production during the period of study, 1951-1988.

Looking at the aggregate capital intensity, it may be inferred that there has been adoption of modern technology in the process of production to improve efficiency of the town's economic system. Sectorwise, the trade and



T A B L E - 11  
SECTORWISE CAPITAL INTENSITY IN  
AZAMGARH ( 1951-1988 )

Sector	1951	1961	1971	1981	1988
<b>I - <u>Agriculture:</u></b>					
a) Investment	8.58	10.53	21.28	105.06	133.98
b) Workers	5251	5632	5838	5619	6913
c) Capital Intensity	1716	1755	1547	17510	19140
<b>II - <u>Trade &amp; Industry:</u></b>					
a) Investment (Rs. Lakh)	12.01	74.25	333.94	199.75	286.59
b) Workers	394	572	481	2213	2748
c) Capital Intensity	30025	123750	667880	99875	95530
<b>III - <u>Services:</u></b>					
a) Investment (Rs. Lakh)	3.66	4.50	18.09	25.50	32.19
b) Workers	1362	1690	1633	4494	7123
c) Capital Intensity	3660	2647	11306	5667	4534
<b>IV - <u>Aggregate:</u></b>					
a) Investment (Rs. Lakh)	24.25	89.28	373.31	330.31	452.76
b) Workers	7007	7894	7952	12326	16784
c) Capital Intensity	3464	11446	47254	26854	29950

SOURCE: Computed on the basis of the data furnished in the Table No. 3 (Chap. II) and Table VIII (Chap. IV)

industry are largely applying the modern technology. There is marginal impact of modern techniques on agriculture either due to high cost of modernisation and poverty of small and marginal farmers of the town or due to lack of institutional support to them or due to both the reasons. The service sector has also been lagging behind in the application of the modern techniques since they do not hold sufficient capital and training in the application of new techniques. The study, however, dispels the fear that there would be widespread unemployment as a result of the modernisation. The number of the workers has grown with the spread of modern technology in the town.

The question which is more often than not debated in the academic circle as to whether there is any possibility to attain the stage of full employment without undermining the modernization of economic system. The research scholar has carried out an exercise to determine the level of investment, the pace of modernization and creation of additional jobs for the town to reach the stage of full employment by the end of the year 2000. The table No. 12 illustrates the projection which the research scholar has given to fulfil the target.

T A B L E - 12  
INVESTMENT AND CAPITAL INTENSITY FOR  
FULL EMPLOYMENT BY 2000

Sector	1989	1990	2000
<u>I - Agriculture:</u>			
a) Workers	7328	7768	14759
b) Investment (Rs. Lakh)	142.02	150.54	286.03
c) Capital Intensity	202288	21505	40860
<u>II - Trade &amp; Industry:</u>			
a) Workers	2913	3088	5867
b) Investment (Rs. Lakh)	303.78	322.01	611.82
c) Capital Intensity	101262	107338	203942
<u>III - Service:</u>			
a) Workers	7550	8003	15206
b) Investment (Rs. Lakh)	34.12	36.17	68.72
c) Capital Intensity	4806	5094	9679
<u>IV - Aggregate:</u>			
a) Workers	17791	19159	35832
b) Investment (Rs. Lakh)	479.92	508.72	966.57
c) Capital Intensity	43119	44646	84827

NOTE: The projection is conceived on the basis of the inflationary impact on the cost of projects and the population growth adding to labour supply in the town likely to take place in the town during the period of projection, ending the year 2000.

2. The figures pertaining to the years 1989 and 1990 are estimated by the Res. Scholar on the basis of the normal rate of increase in capital intensity in the preceding years.
3. The projection to attain the full employment is related to subsequent period ending the year 2000.



It would be possible for the town's economy to operate at full employment stage provided the investment are stepped up by 9 per cent annually during the decade 1991 - 2000. The projection is based on the annual growth of labour force by a 9 per cent (taking into account those already unemployed). It is estimated that the town should create jobs for 35,832 working force by 2000 (Table 12).

Nevertheless, the savings and the investments should flow from autonomous channels (out of the income received by the factor owners) to avoid the deleterious effects of inflation. Therefore, the town's households should be involved in the process of economic development of the town by way of augmenting voluntary savings to reach the target of 30 per cent by 2000. These projections are presented in the following table No.13.

In other words, the consumption expenditure would have to be taken down to 39 per cent of the town's GDP. It is corroborated on the empirical studies of different regions in the country that the consumption expenditure beyond a certain limit tend to decline in relation to the size of the income. That is why the developed regions of the country, and so the developed countries, hold most of the savings and the investible funds.

T A B L E - 13

ANALYSIS OF GDP (Y), SAVINGS (S) AND INVESTMENT  
(I) IN AZAMGARH  
DURING 1991 - 2000

	1991	2000
Gross Domestic Product (Y) (Rs. Lakh)	862.88	1639.57
Savings (S) (Rs. Lakh)	198.46	491.84
Investment (I) (Rs. Lakh)	508.72	1000.14
Propensity to Save	23%	30%
Propensity to Invest	59%	61%

In conclusion, the economy of the town is not capable to generate sufficient savings to finance modernization. The Banks and the plan outlays are crucial to the economic advancement of the town. The Municipality is found lagging behind in the provision of civic facilities and the public utilities. There is scope for stepping up the surplus by curbing the wasteful expenditure in the civic body. The town's economy is undergoing a change in regard to the accelerated pace of development of trade, industry and the service sector. However, the buoyancy of the town's economy would remain doubtful

without ushering in modern techniques of agricultural production. The agricultural sector is not keeping pace with the other sectors in respect of modernization. It is evident from slow increase in the capital intensity in the agricultural sector.

That the modernization would be fraught with widespread unemployment is found baseless. The town's economy is capable of absorbing more of the workers in the process of modernization, renovation, innovation and expansion of agricultural, secondary and the tertiary sectors. However, the cost of modernization is too much for new entrepreneurs to bear without the institutional support.

The banks are providing loans to agricultural sector but far less than that to trade and industry. It is difficult to assign the reason of reluctance on the part of banks in financing the capital expenditure in the agricultural sector. One of the reasons for comparatively small sized investments by banks in agricultural sector is the restricted ability of the small and marginal farmer of the town to bear the cost of capital (bank loans and advances). It would behoove to the bankers if the cost of the loans is reduced and a scheme of rationalising the entire allocation of bank credit is

undertaken to admit of the factors of backwardness of agriculture together with in-built incentives for self efforts of modernization.

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C H A P T E R - V

P R O B L E M S   A N D   S U G G E S T I O N S

-

C H A P T E R - VP R O B L E M S   A N D   S U G G E S T I O N S

Social, economic and political systems operate for progress and prosperity. Economic system's efficiency is underlined by addition to national income and its distribution.

There have emerged many hypotheses and models to show the variables of growth. Keynes considered savings and investment the main propellers of the level of employment. He threadbare examined the motives of savings and investments, e.g. for savings are the motives of precautions, transactions and speculation. But, further, improvements in the hypothesis, specially to deal with post-war problems of reconstruction of the economy and inflation on the one hand, and the menacing problems of economic transformation in the newly independent nations, on the other, suggested the planned investment to precede the voluntary savings. The reason for emphasis on compulsory savings were, in the main, low income and wide-spread poverty. The target of growth rate of savings and investment were computed for a given size of population.

The experience with planned savings and investment brought to surface the intractable problems of improving the

efficiency of factor inputs for better results from the use of limited resources. It involves the question of technology, area of location of projects and the sectors for investment. On macro-level, capital intensive techniques were preferred for key industries in the public sector usually located in the backward areas. The techniques employed so far have transformed the economy into industrial one, tended to reduce pressure on land and also raised the national incomes.

The same picture does not emerge from study of small area. Azamgarh district of eastern Uttar Pradesh has not experienced the fruits of development. There are similar other backward regions in the country. Regional disparity can be grappled with by making area approach. It should work within the parameters of growth, viz., the size of population and its growth over a period of time, savings and rate of increments, and lastly the investments in projects to yield growth at a rate higher than the growth rate of population. In mathematical terms:

$$Gr = f_e (I/Po)$$

The formation suggests that growth rate is determined by factor efficiency, investment and population growth rate. Besides, the backward areas have specific problems, to be dealt with, viz., the scheduled castes/tribes, the lack of infrastructures, the density of population besides the low income per capita.

In the present study, estimates of regional income have been made by source of income, viz., agriculture, industries, service. It is my assumption that a region mainly dependent on agriculture will certainly be in a backward state, that on industries is a developing region and if it is dependent on service, it is a developed region.

The hypothesis pertaining to source of income as a gauge of the region's economy would be of academic interest to find out its spread effects. It has been put to test in the present study.

There are two distinct types of analysis: the static and the dynamic economic approaches. It is simple to hold constant the variables of income, viz., investment, at a point of time to give suggestions to deal with existing economic problems. Too facile is the conclusion to shed light on the forces spearheading changes, viz., change in price to boost the value added, technological changes, infrastructural developments, the planned investments in the region and unplanned dissavings or savings by individuals and institutions. On top is the development of entrepreneurship in non-traditional areas.

The pattern of savings and investment in Azamgarh, income of the town by sectors, its distribution among economic



groups is of special assistance in the evaluation of the complex problem of area growth.

The demographic study of the town is appropriate to the main objectives of the study. A region stands to grow and prosper within the overall framework of factor endowments, including human resources. It is worth dividing population into working population and the non-working population. A large proportion of the working population is, indeed, the sign of regional economic advancement, and vice-versa when the working population is not substantial. A few earnings members would share their income with more of the non-working members. An obvious result of such trend is perceptible in the pattern of income by economic groups of working and non-working population in Azamgarh town.

It, however, dispenses with the assumption usually made for static economic studies, i.e., the perfectly elastic supply to a particular production unit and inelastic supply of factors to industry at a given point of time. The assumption does away with increase in the size of the working population to avoid complication in the analysis. In the present study, it is found useful to record periodic changes in the number of workers in different sectors and trace the

reasons thereof. Traditional vocations are changing under the impact of technology together with uninhibited mobility of workers in response to monetary incentives, viz., wages, etc., in Azamgarh town.

In general, the town receives evergrowing number of immigrants from villages in search of employment and dignity of labour which is hardly available in rural areas. The analysis reveals its impact on problem of burgeoning unemployment.

The principles of micro-economic applicable to behaviour of private entrepreneur offer the solution to raising level of employment at lower level of wages. Theoretically, it may be accepted as a sound logic, but hardly acceptable to the State which stands committed to protect working class interests. It seems to be a fair endorsement to this view for a probe into measures acceptable to the State, labour unions and the employer. As an alternative, the approach to the problem of unemployment calls for additional investment in existing industries.

Nevertheless, the development process has to suit local conditions. Raising resources by private enterprises involves serious issues of return, liquidity and risk. A

sole proprietary type of business is predominant form of business organisation in the town. Trade largely comprises sole proprietorship. (70 per cent of the business organisations are sole traders). But they do not have major share in volume of domestic trade (less than 30% on average). In the national context, big trading centres have larger share in trade handled by joint stock companies. On the contrary, in small towns, e.g., Azamgarh, there is not a single joint stock company, public or private limited. The sole trading, partnership and parcnerships co-exist there. The entire trade is shared by the sole traders and the partnership/parcnership firms. The inherently deficient form of business organisation is not capable of generating substantial resources for diversification, expansion and modernization. The entrepreneurs are traditionally averse to risks in new ventures. They regard that the traditional business is not risky. It means that they attach less importance to return. Even the young generation of business class is not known to break new grounds in business pattern in the town.

For others, it is a matter of attitude, customs and practices. Big farmers who have surplus funds or savings take pride in traditional forms of investments, including jewellery, land and building. Such investments are not economically

desirable owing to little expansion in job opportunities.

It is often said that savings hoarded are not economically productive. Savings deposited in bank accounts become productive. The inference is drawn from the observation of banking practices pertaining to lending and investment. Other things remaining the same, a bank has the power to add to money supply (or create credit money) through the process of lending and investment. The hoarding constitutes leakage of money from the stream of income flow. It is, therefore, quite necessary to encourage bank savings for investment in projects for regional development.

Regional disparity in economic development can be tackled, according to a group of economists, by not pursuing the social objective of equality. The disparate incomes of different classes manifest themselves in savings. In other words, the larger is the income flows to upper income group, the more rapid growth of savings will there be. It may be a sound logic under assumed static economic conditions. Actually, acute inequitable distribution of income results in heavy concentration of economic power. It is the singlemost factor responsible for socio-economic exploitation of weaker sections of the society, viz., workers and consumers. No state in a democratic country can hope for a healthy society without putting in shackles the monopoly and restrictive trade practices.

In modern society, rate of interest plays an important role in boosting savings. Generally, there is positive relationship between the rate of interest and the savings. The traditional tools of monetary policy fail to create desirable impact on traditional stationary economy which exists in semi-urban areas, viz., Azamgarh. The reasons are not far to seek; till recently, it has been the failure of banks to open branches to mop up savings. The community in Azamgarh is becoming growingly aware of the utility of banking services. Bank deposit growth pattern in urban areas is in contrast with that of the rural areas of the district. In urban areas, time deposits register higher growth rate than the demand deposits. The time deposits refer to fixed deposits. A bank can invest the time deposits in long term projects at higher rates. It is the time deposits which have got to be generated for expansion of investment activities. The fixed income earners prefer to deposit their savings on fixed deposit accounts. It is not possible to attain a higher growth rate in time deposits because of the fixed income of the deposit holders. The savings have been eroded by inflation, to a large extent. To avoid erosion of savings, it is essential to neutralise the impact of inflation by putting up the interest rate. However, higher rate of interest on bank deposits, specially the time deposits is accompanied by adjustments in the capital cost for

industries: higher dividends for equity holders and higher interest rates on bonds and debentures. To minimise the adverse effects on cost of capital, the monetary authority has to play supportive role in the capital market.

The developed areas of the country are in enviable position: stock exchanges, financial institutions, banks, insurance companies and business organisations compete with each other for investment. The All India pattern of investment indicate 10 per cent investment in plantation, 10 per cent in agriculture, 20 per cent in manufacturing and trading and 60 per cent in government securities. The rural sector got 20 per cent as against 80 per cent to the urban sector. Further analysis of the growth of deposits reveal just 30% of the additional deposits originating in semi-urban and rural areas. A comparison between the deposit growth rate and investment in rural areas make it amply clear that the rural areas are not given their due share.

Azamgarh is one of the less developed regions. An inquiry has been made into the causes of slow investment activities there. The general causes of backwardness of the town lie in lack of entrepreneurship, capital, material and organisation. The State has evinced great interest in development of entrepreneurship in rural areas, specially

for small enterprises. The financial assistance by way of 'seed capital' is being provided through the lead banks, regional banks and other financial institutions. The great rider of institutional financing is the viability of the project.

The financial institutions take a long range point of view. The project is scrutinised on the basis of national objectives it stands to serve on completion, the employment potential, the nature of business, the form of business, the composition of management, the capital and its structure, the demand pattern for the product or the service, and lastly, the rate of return.

It is too much to expect of an entrepreneur in rural areas to give a scientific account of the project for which financial assistance or loan is sought. In view of the technical difficulties beyond the competence of average entrepreneurs, it would be worth examining the question of lending bank's role to support the main development activities in a region for local entrepreneurs.

The role of District Industries Office has been looked into to find out as to what changes in rules and regulations would be helpful to borrowers in Azamgarh.

Though the State has developed the economic and the social overheads for industrial activities in Azamgarh, there are many examples of the private enterprises spearheading development. Calcutta became a sprawling city in the wake of private trading and industrial activities. Jamshedpur became an industrial centre since the establishment of the Tata Iron & Steel Co. (TISCO). Bombay, Madras, Kanpur and the other industrial cities also have a modest beginning. Aligarh Lock Industry owes its birth to Elahi Bux, a skilled worker, who had taken to the lock manufacturing. These are illustrative of entrepreneurs blazing new trails of achievements in the economic developments.

The State places considerable reliance on small sectors for development in Azamgarh. The problems confronting small entrepreneurs are wide-ranging: land for factory premises, adequate power supply, tools and implements, trained and skilled workers, sufficient supply of raw-materials, funds for investments and provision of working capital as well as for financing the marketing operations, etc.

State incurs special responsibility for accelerating capital formation in backward regions such as Azamgarh. To fulfil the objective of regional development, it would be fruitful, in the first instance, to identify backward districts



or parts thereof. Generally, the backwardness is traceable to, among other things, the infrastructural deficiency or its conspicuous absence. Special programmes should be incorporated in five year plan's allocations for development of both the social and economic overheads, viz., the development of transportation and communication system, power, development of banking, insurance and warehousing and marketing institutions. Investment in hospitals, schools, colleges and training institutes would meet the requirement of industries for healthy, trained and skilled labour force.

There are some who hold the opinion to make allocations of public money on the basis of objective norms. The question as to what projects should be given priority for area development is of considerable importance. It is related to rationing the limited funds among numerous competing projects for maximum benefits. In private sector, projects are accepted or rejected on the basis of return. There is no such need as to accept or reject the social projects on the ground of monetary return. The objectives is the social benefits to be derived from projects to develop infrastructures; hence the social cost-benefit or social capital/input ratios can be fairly recommended as the basis of approval or rejection of the project.

The argument, as a corollary, can be extended to the term of social cost and social benefits. In private sector, the cost is measured in terms of money involved in the execution of a project and income in terms of cash flows; the ratio between the two is compared with predetermined standard profitability. The parameters of private investment do not hold any longer in the case of public investment for regional development. The cost which the state may bear in financing a project by way of funds can be expressed in monetary terms and compared with benefits from its impact on area or regional income. It is not in conformity with wider objective of accelerating capital formation until and unless the private investment sees a silver lining in the horizon of business opportunities. In other words, there should be accrual of additional purchasing power for support to production in the private sector at a higher level.

Private capital in Azamgarh can be stimulated by means of tax concessions, loans on easy terms, public expenditure on development of institutes ancillary to business, viz., banks, insurance, warehouses, transport and communication system, power and water supply works, etc. Huge capital is required to develop social and economic overheads in Azamgarh. It is worth considering to undertake projects in the joint

sector due to inadequate availability of the private capital in the town.

Banks have pivotal role to play in accelerating formation. In 1955, State Bank of India and its subsidiaries were assigned the task of mobilising resources for economic development specially in backward and the rural areas. Its objectives, according to the Act legislating the SBI's incorporation, are composed of special assistance for development of small entrepreneurship, promotion of cooperatives for credit to farmers, financing of warehousing scheme in rural sector and that of construction of low cost houses. The State Bank of India approached its objectives through an integrated plan; it undertook opening of branches in unbanked areas, introduced attractive schemes for the growth of deposits and for a meaningful change in the composition of its deposits. In the year of its inception (1955), demand deposits were the dominant part of SBI's deposits. It aimed at reversing the share of demand and time deposits. Its endeavours have paid the dividends; the time deposits are the major components of SBI's deposits. The nationalised banks have been, likewise, charged with the responsibility of cultivating banking habits among the rural masses. It would facilitate the banks to provide credit for agricultural activities and the loans to fulfil capital requirements of small entrepreneurs.

Nevertheless, sight should not be lost of the fact that Azamgarh has all the characteristics of being a primary economy; agriculture is the main occupation in Azamgarh. Artisans are engaged in the production of traditional products, viz., potteries, jewelleryes, bidis, etc.

As a matter of cultural heritage, the State has been unsparing in its efforts to preserve and promote the traditional art. The artisans are being helped financially to commercialise the products. The State agencies are engaged in promoting demand both in the domestic and foreign markets. The show-rooms are constructed at tourist centres because the products made by artisans of traditional designs have been quite popular among the foreign tourists, specially from the West Europe and the U.S.A. Further, the scope is held out by the agro-based industries in the small sector. There are a few capital intensive agro-industries specially those engaged in food processing. The industries in the small sector would thrive with agriculture to support them. The fruit trees should be planted in less fertile areas for supply of fruits to industries. Oil seeds can be obtained by enlarging cultivation extensively for mass production of oil, viz., the ground nut oil, mustard oil, soyabean for vegetable oil. The State should take initiative by directing research institutes to place the high yielding seeds in the hands of farmers.

Block officers must train the farmers and impart necessary know-how in the use of improved seeds, fertilizers and in the techniques of handling the implements.

It would be rewarding to place restrictions on the expansion of large and medium units. Emphasis should be given to private enterprises undertaking industrial activities in the small towns, viz., the agro-industries, handlooms, farm implements, forging activities, the small units of bakeries, confectionaries, poultries, the fish farming, etc.

The development of small industries in Azamgarh would gain more impetus provided care is taken of finance, inputs, marketing and training of labour. It may be out of question locally to find savings for financing the capital expenditure or to fulfil the working capital requirements. A few big landlords or the traders who are also traditional money-lenders are holding substantial part of savings in Azamgarh. The pattern of savings is not different in Azamgarh from other small towns with population from 10,000 - 50,000. The assumption underlying the existing pattern of savings is that agriculture is the dominant sector of the economy. Substantial part of the farm income is hogged by big landlords and the money-lenders. It means that the big landlords and the traders hold savings largely. If the aim is social equity or the equitable distribution of

income, measures for redistribution of income and wealth should be pursued vigorously. Provision of capital, allotment of land for industrial units, supply of power and marketing net-work should be developed by the State for small entrepreneurs in Azamgarh.

There are certain occupations which are looked down upon in Azamgarh, viz., the tailoring, dyeing & cleaning, shoe-making, Iron-smithing, etc. The people engaged in those activities are largely poor. They do not enjoy as much of social status as enjoyed by other high castes. Apart from the respect for the land, the society is strewn and strife torn because of class stratification. The castes still live by their ethos, customs and traditions. It provides unassailable base for hierarchical social, economic and political system. The wind of change hardly crosses the century-old custom barriers. That is why planning for the past four decades has left little imprint on people in Azamgarh. The task for new class of entrepreneurial development in Azamgarh is formidable.

The hypothesis encompasses analysis of savings, investment and employment in Azamgarh. It is established by the study of the savings and investment pattern of Azamgarh town that the economy of the town is not capable to generate suffi-

cient savings to finance development. The banks and the plan outlays are crucial to the economic advancement of the town. However, the town's economy has undergone a change in regard to the accelerated pace of development of trade, industry and the service sectors. The buoyancy of the town's economy would remain doubtful without ushering in modern techniques of production in agricultural sector. It is not keeping pace with the trade and industry. It is evident from slow increase in the capital intensity in the agricultural sector as compared with that in trade, industry and the service sectors.

That the modernisation would be fraught with widespread unemployment is found baseless. The town's economy is capable of absorbing more of the workers in the process of modernisation. However, the cost of modernisation is too much for small entrepreneurs to bear without the institutional support.

The bank loans are not sufficiently available to the farm sector. It is due to restricted ability of small and marginal farmers of the town to bear the cost of capital (bank loans and advances). It would behoove to the bankers if the cost of the loans is lowered and a scheme to rationalise the entire credit allocation system is introduced to admit of the factors of backwardness together with in-built incentives for

entrepreneurial development in trade industry and service.

The problem of measurement of social benefits and cost to gauge impact of savings and investment in Azamgarh district remain unexplored. It is the topic of my research for Ph.D. degree.



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# QUESTIONNAIRE

Contd...2

- (c) Invested in Land:
- (d) Invested in Jewellery:
- (e) Hoarded:

13. LITERACY RATE IN AZAMGARH:

14. Total number of unskilled workers in:

- (1) Average wage per month of unskilled workers:
  - (a) Manufacturing Industry:
  - (b) Agriculture
  - (c) Construction:
  - (d) Miscellaneous:

15. No. of skilled workers:

- (i) Wage per month
  - (a) In Manufacturing Industry:
  - (b) Agriculture:
  - (c) Construction:
  - (d) Miscellaneous:

16. LOCAL SELF GOVERNMENT:

- (a) Resources:
- (b) Utilization:

17. Weights to Items of consumption:  
Please tick against each item under appropriate columns:

- |                   | 80% | 70% | 60% | 50% |
|-------------------|-----|-----|-----|-----|
| (a) Food          |     |     |     |     |
| (b) Fuel          |     |     |     |     |
| (c) Clothes       |     |     |     |     |
| (d) Health        |     |     |     |     |
| (e) Education     |     |     |     |     |
| (f) Miscellaneous |     |     |     |     |